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Canada, Railways and
Transportation, Royal Commission
22, 1921/22

(ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION)

REPORT OF PROCEEDINGS

Arthur Moxon, Esq., K.C., Secretary

George W. Yates, Esq., Assistant Secretary

F. Berryman
E. C. Young,
Official Reporters

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ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

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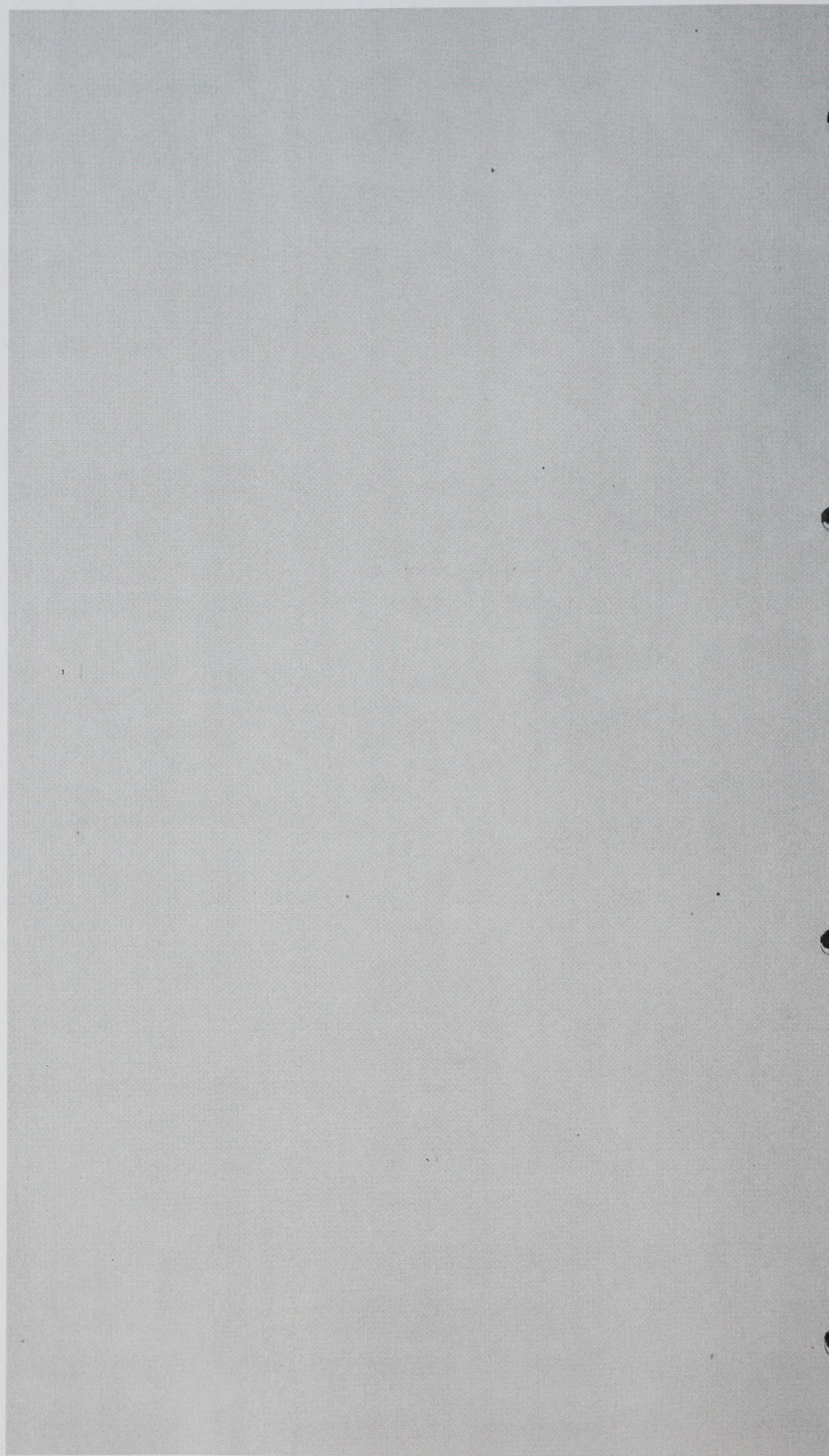
Certified to be a true copy of a Minute of a Meeting of
the Committee of the Privy Council, approved by
His Excellency the Governor General on the 20th
NOVEMBER 1931.

The Committee of the Privy Council have had before
them a joint report, dated 19th November, 1931, from the
Right Honourable Sir George H. Parley, the Acting Prime
Minister and the Minister of Railways and Canals, sub-
mitting:-

That the Select Standing Committee on Railways and
Shipping of the House of Commons of Canada at the recent
session of Parliament in its final report, dated July 16th,
1931, to the House of Commons, set out amongst other things,
as follows:

"Your Committee desire to call the attention of the
House to the proposal made by Sir Henry Thornton at
one of the sessions of the Committee. He referred to
the serious position of the transportation business
generally and recommended that a commission be appoint-
ed for the purpose of considering the whole question
of Canadian Transportation. Your Committee regard such
a recommendation coming from such a source at this
time as worthy of the serious consideration of the
Government."

Having regard to the vital importance of transportation to
the trade and commerce of Canada, the serious and contin-
uing deficits of the Canadian National Railway System, and



the diminished revenues of the Canadian Pacific Railway System, conditions which have been brought about in part by duplication of tracks, facilities and services of every kind, and in part by competition by other modes of transportation, particularly motor vehicles operating on highways, the Ministers concur with the proposal that the whole subject be studied by Commissioners with the powers hereinafter set forth.

The Ministers, therefore, recommend as follows:

1. That the Right Honourable Lord Ashfield, of the City of London, England;

The Right Honourable Lyman Poore Duff, P.C., of the City of Ottawa, in the Province of Ontario;

Sir Joseph W. Flavelle, Bart., of the City of Toronto, in the Province of Ontario;

Beaudry Leman, C. E., of the City of Montreal, in the Province of Quebec;

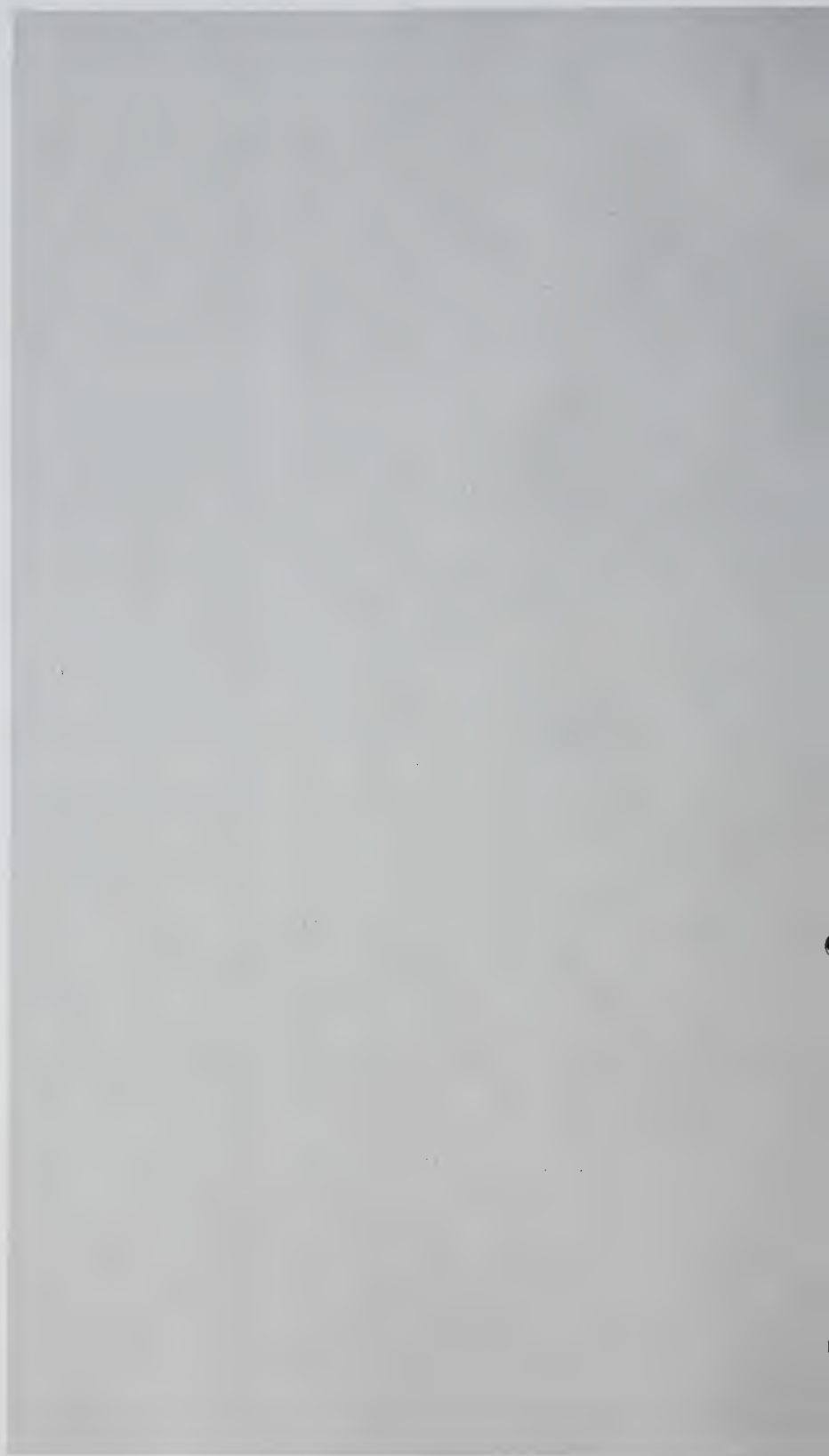
Leonor Fresnel Lorce, C.E., of the City of New York, in the United States of America;

Walter Charles Murray, LL.B., of the City of Saskatoon, in the Province of Saskatchewan; and

John Clarence Webster, M.D., of Shediac, in the Province of New Brunswick;

be appointed Commissioners under Part I of the Inquiries Act, and that the said The Right Honourable Lyman Poore Duff, P.C., be Chairman.

2. That the Commissioners inquire into the whole problem of transportation in Canada, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable future developments of the country, and report their conclusions and make such recommendations as they think proper.



3. That the Commissioners shall have all the powers vested in, or which can be conferred on, commissioners under the Inquiries Act, and that all or any of the powers which can be conferred under Part III of the Inquiries Act may be exercised by any three of the Commissioners.

4. That the Commissioners or any three of them shall have power to call before them such persons as they shall judge likely to afford any information on the subject; to call for information in writing and also to call for, have access to and examine all such books, documents and records as may afford the fullest information on the subject; and to inquire of and concerning the premises by all other lawful ways and means whatsoever.

5. That the departments of the Government Service of Canada and the Board of Railway Commissioners for Canada shall afford the Commissioners and all persons acting under their authority or by their direction, such assistance and co-operation in the matters of the inquiry as the Commissioners may think desirable.

6. That the Commissioners shall report their findings and conclusions with the least possible delay.

7. That a Commission shall issue to the Commissioners in accordance with the terms thereof.

The Committee concur in the foregoing recommendations and submit the same for approval.

(Signed) E. J. Lemaire
Clerk of the Privy Council.

ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

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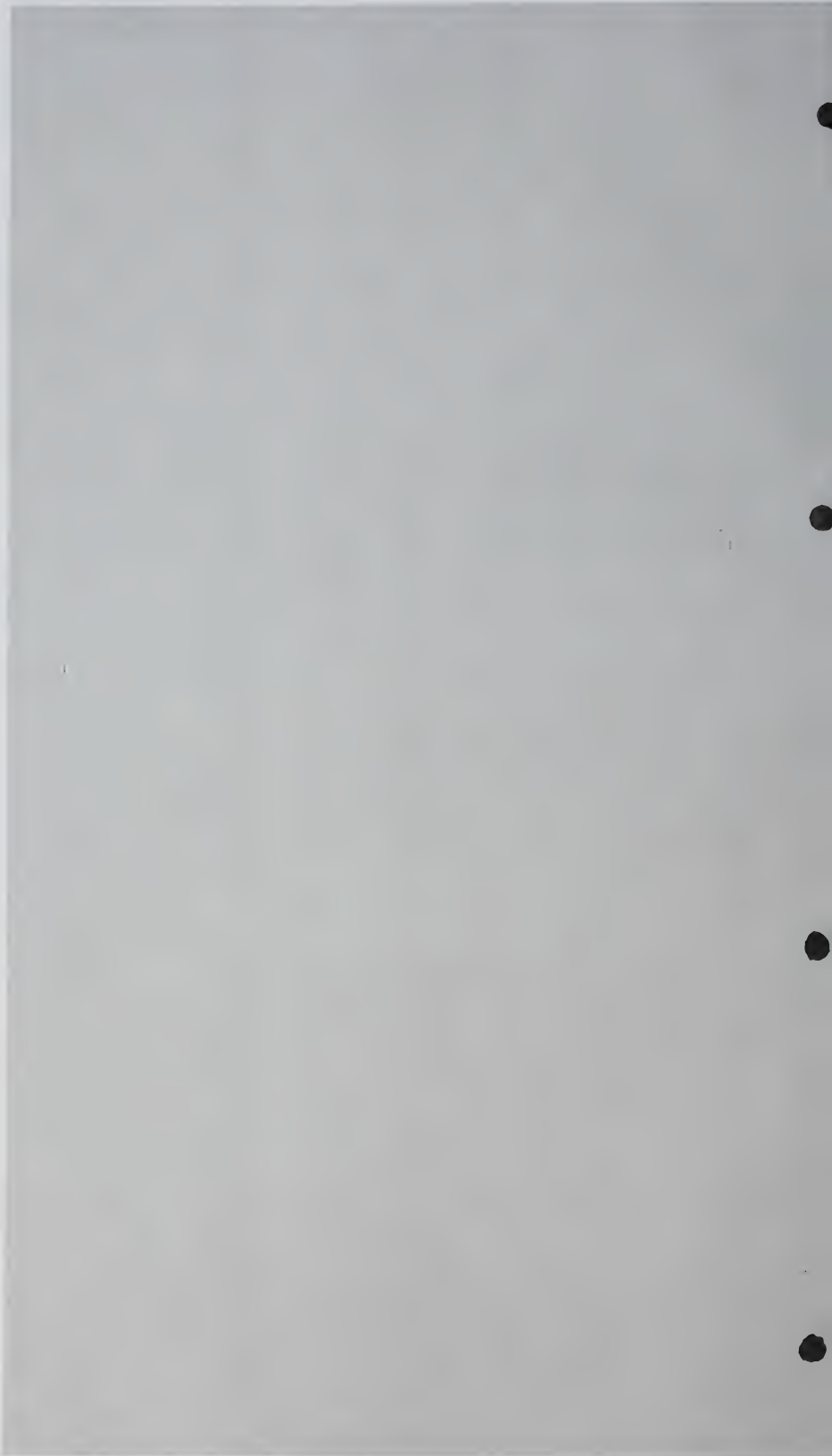
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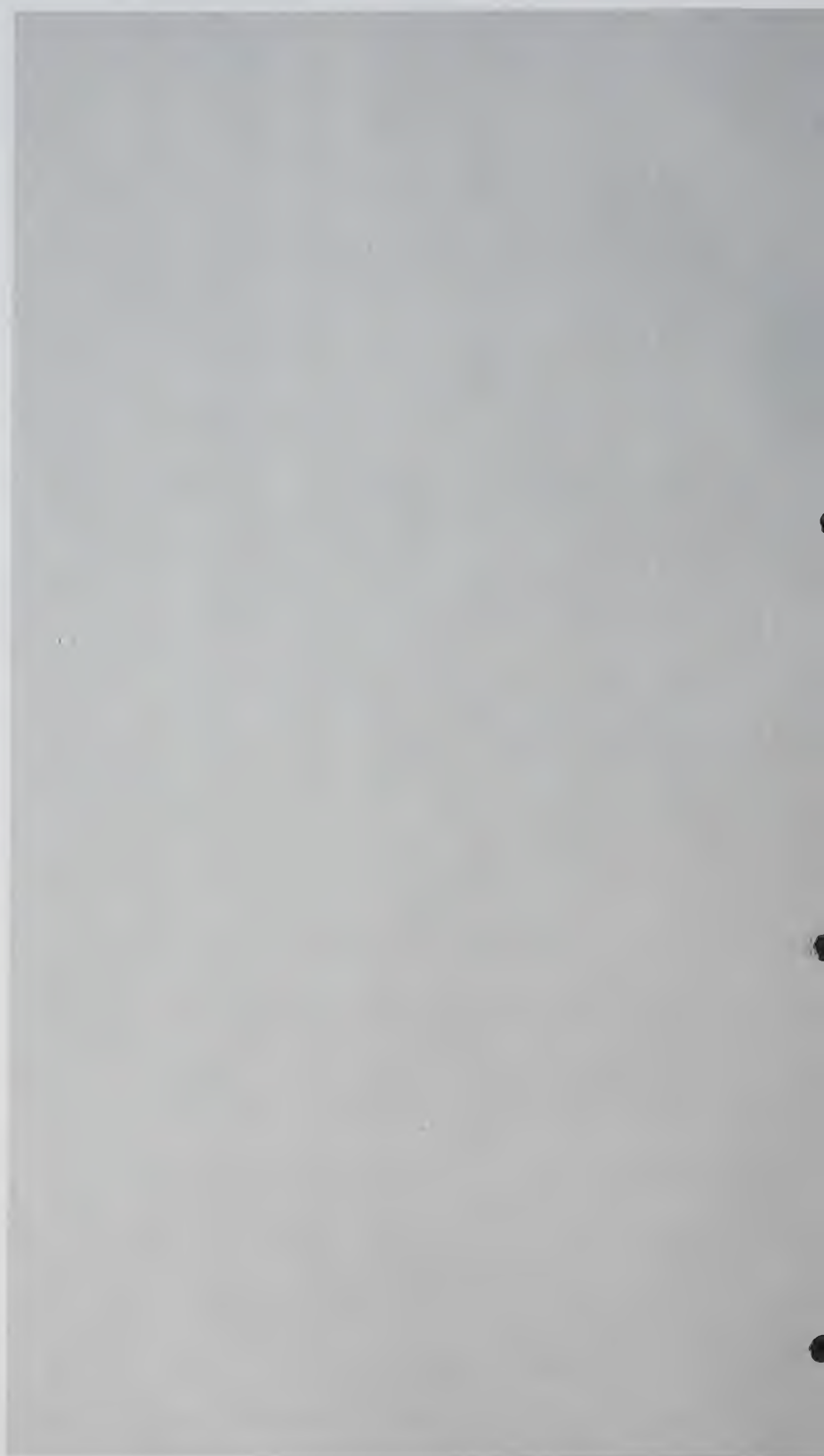
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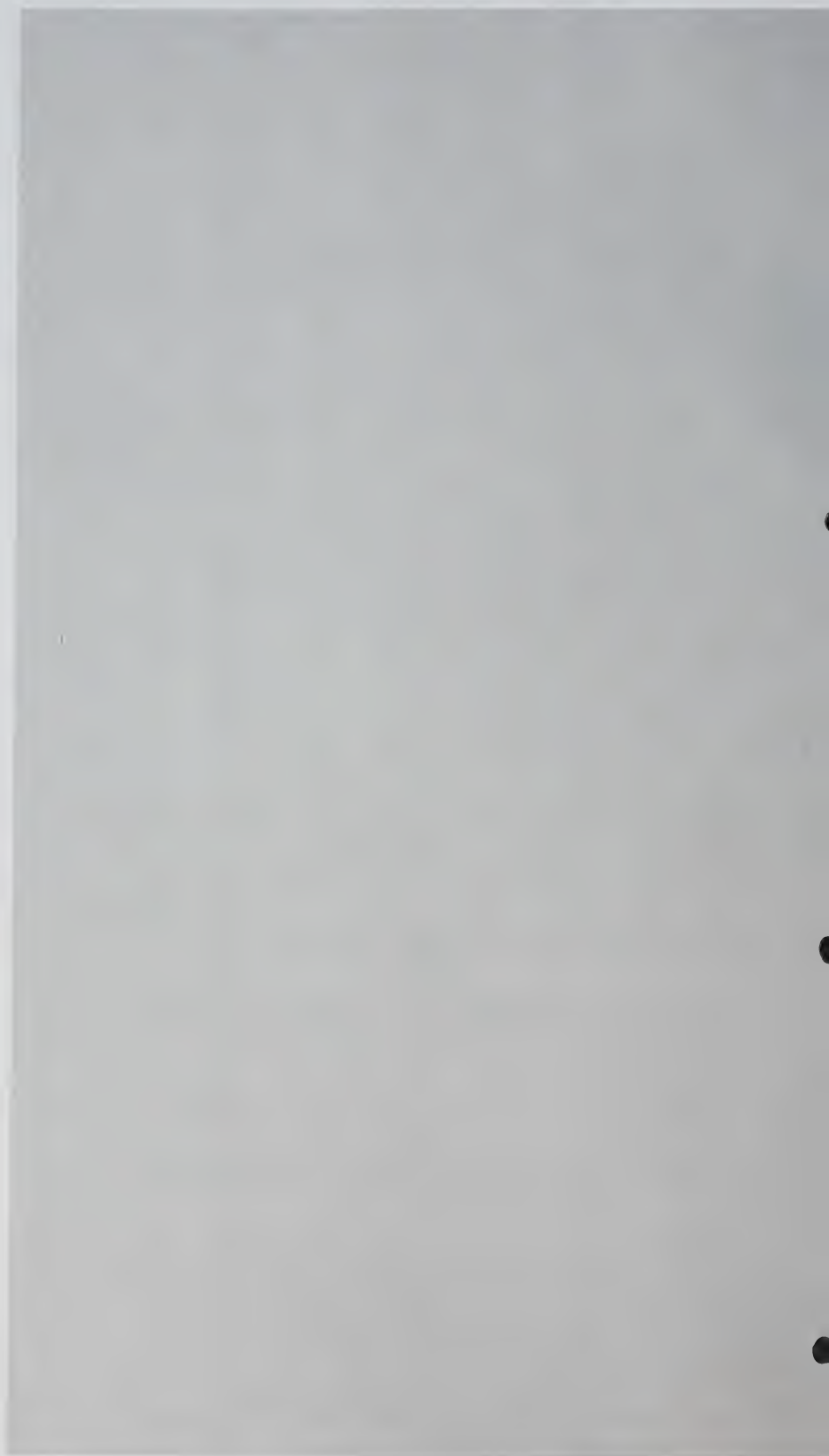
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ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

T O P I C A L I N D E X

VICTORIA:

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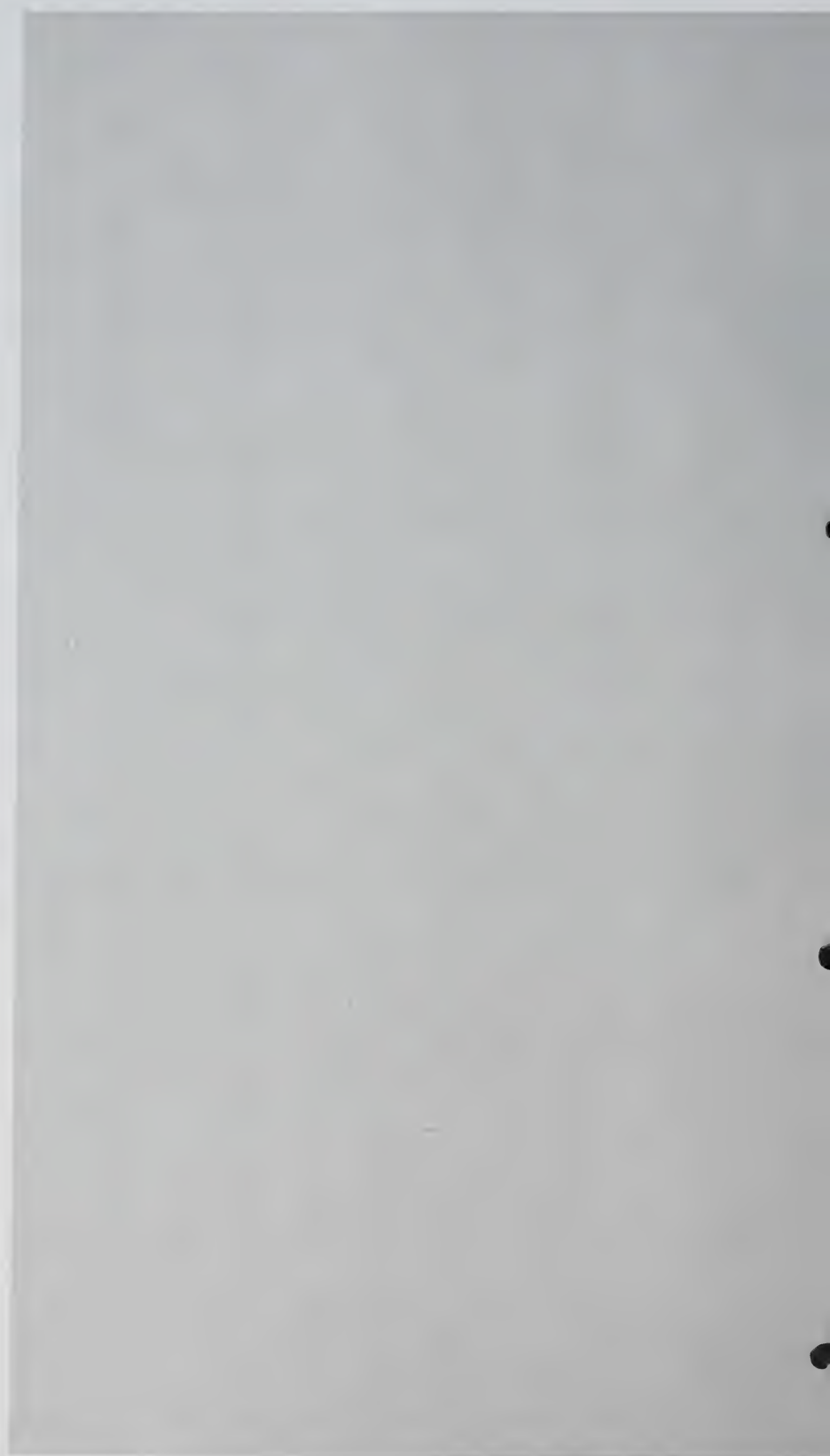
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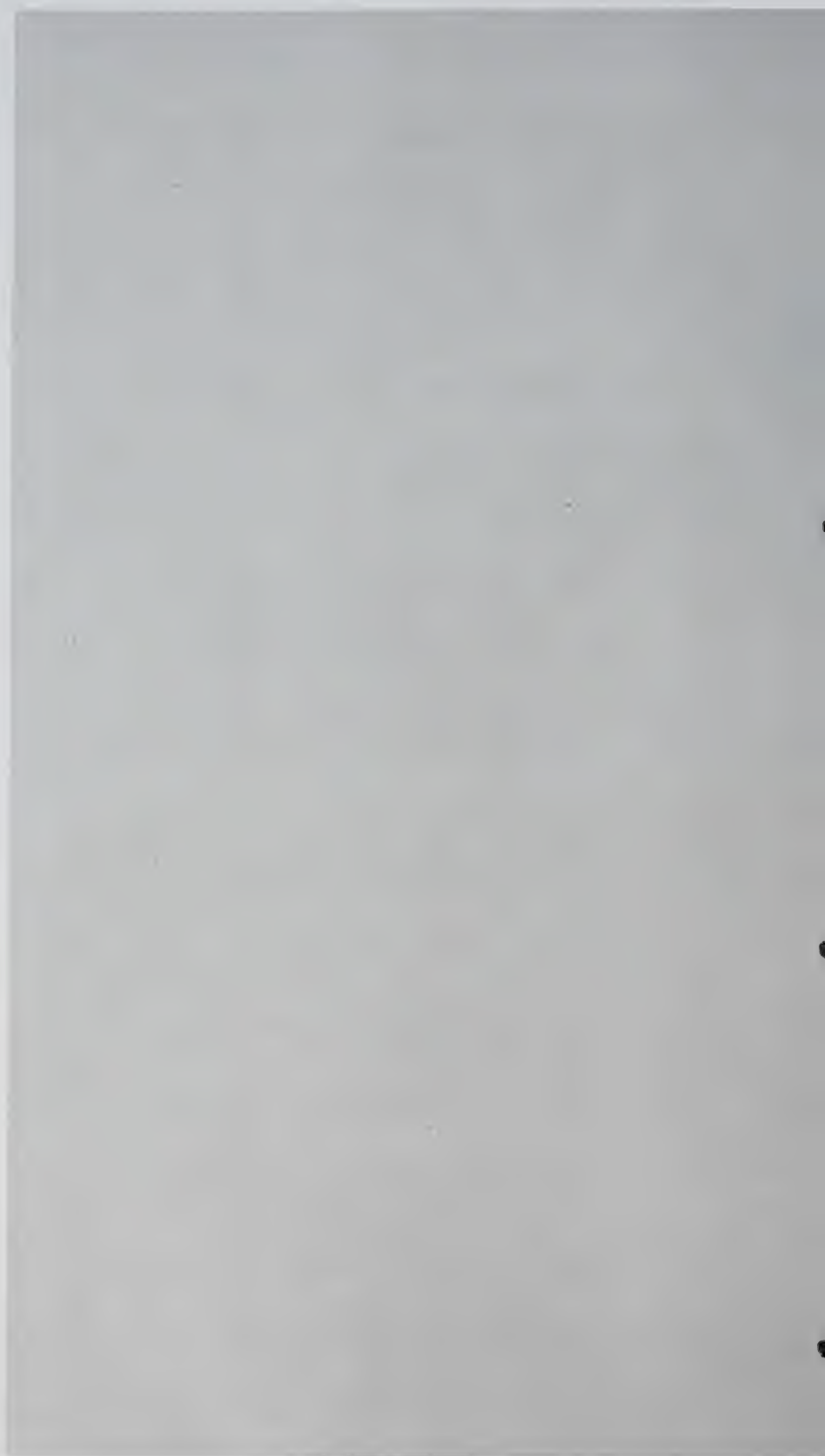
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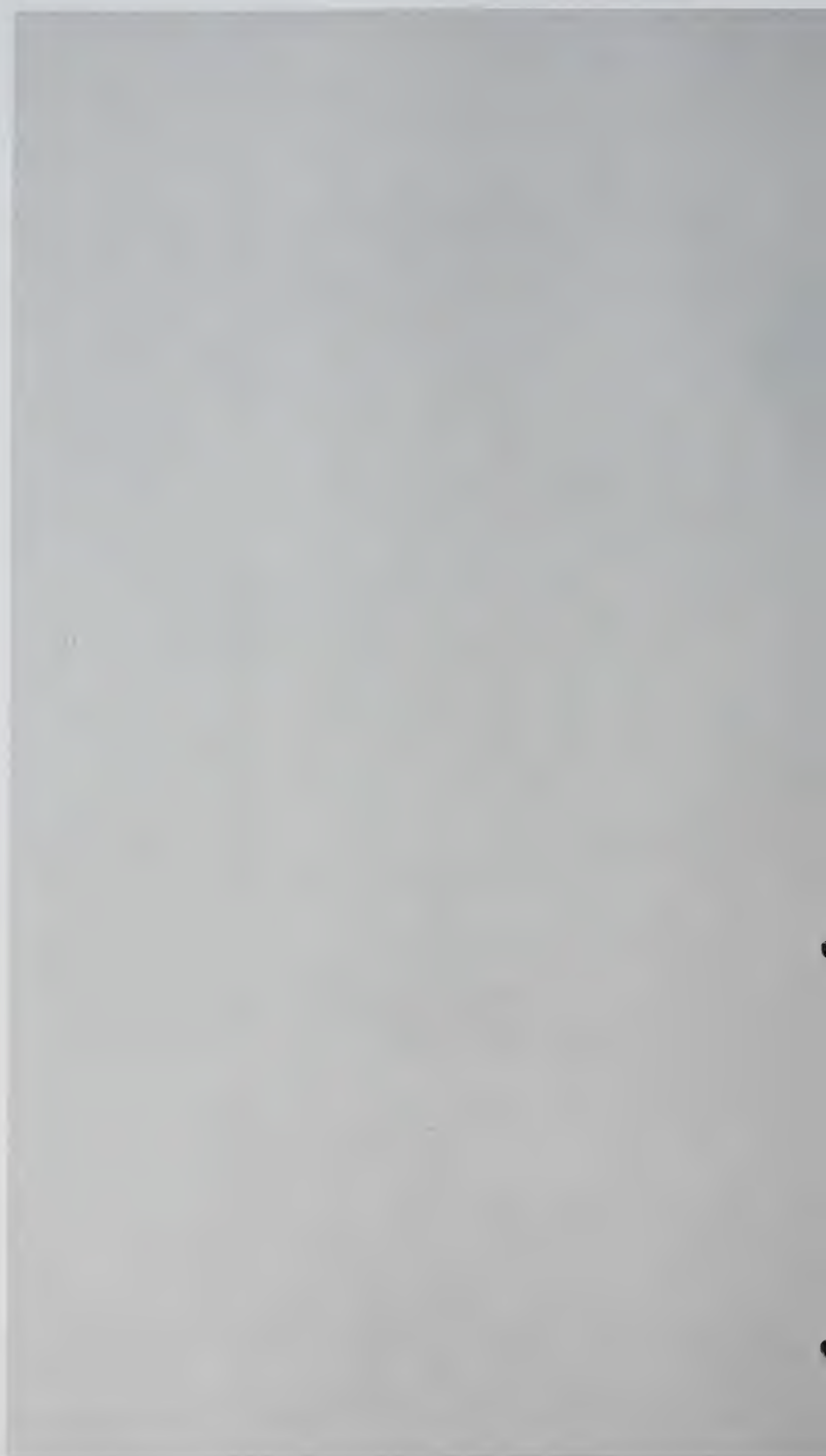
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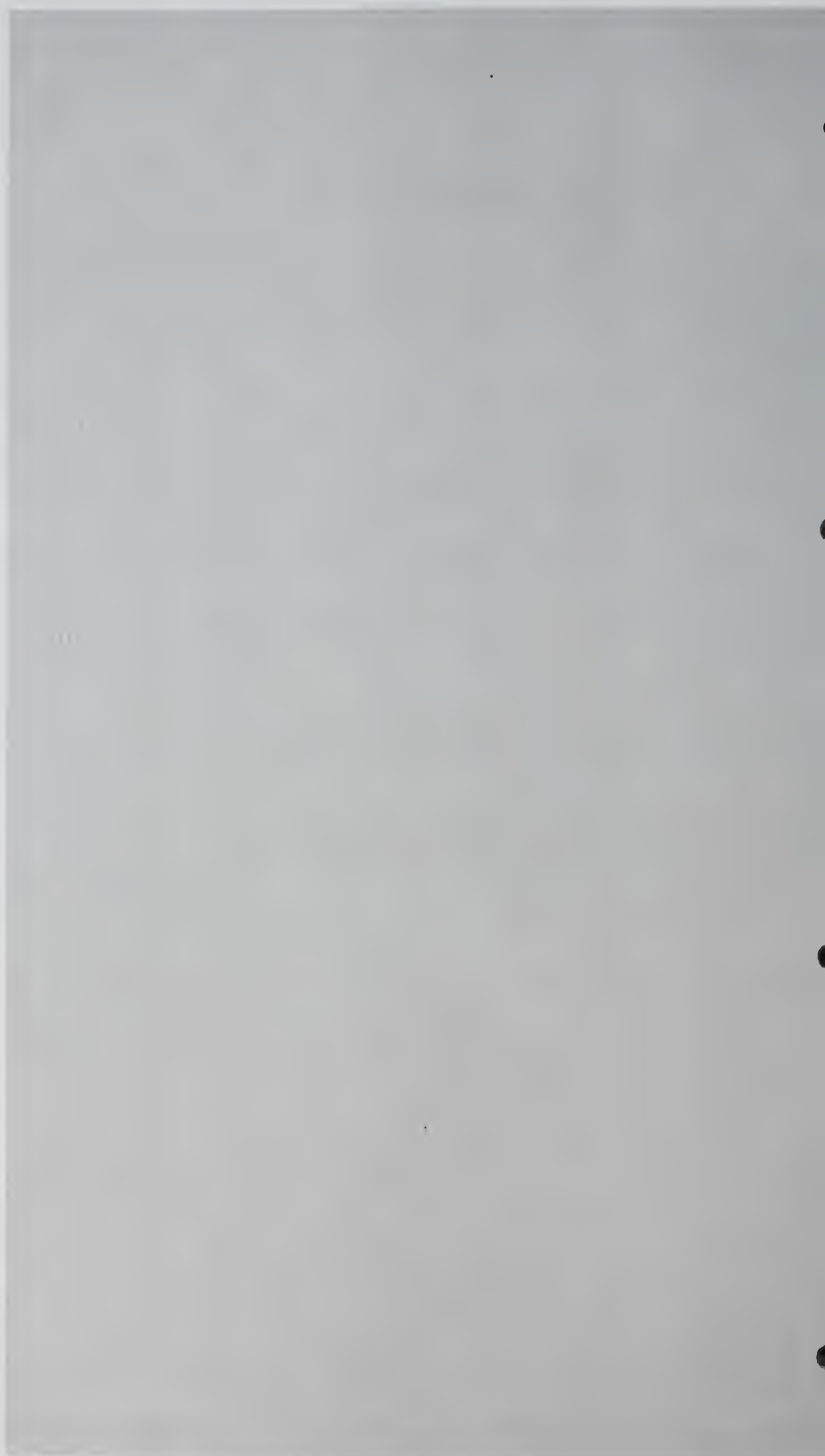
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ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

The Royal Commission appointed to inquire into the whole problem of transportation in Canada, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable future developments of the country, met at the Parliament Buildings, Ottawa, on Friday, December 4, 1931.

PRESENT:

RIGHT HON. LYELL POORE DUFF, P.C., Chairman

RIGHT HON. LORD ASHFIELD

SIR JOSEPH W. FLAVELLE, Bart.,

BEAUDRY LEMAN, Esq.,

LEONOR FRESNEL LOREE, Esq.,

WALTER CHARLES MURRAY, Esq.,

JOHN CLARENCE WEBSTER, Esq.,

}
}
}
}
}
}
}
} Commissioners

Arthur Moxon, Esq., Secretary

George W. Yates, Esq., Assistant Secretary

Officials of Canadian National Railway Company

Sir Henry W. Thornton, K.B.E., President

S. W. Fairweather, Director of the Bureau
of Economics

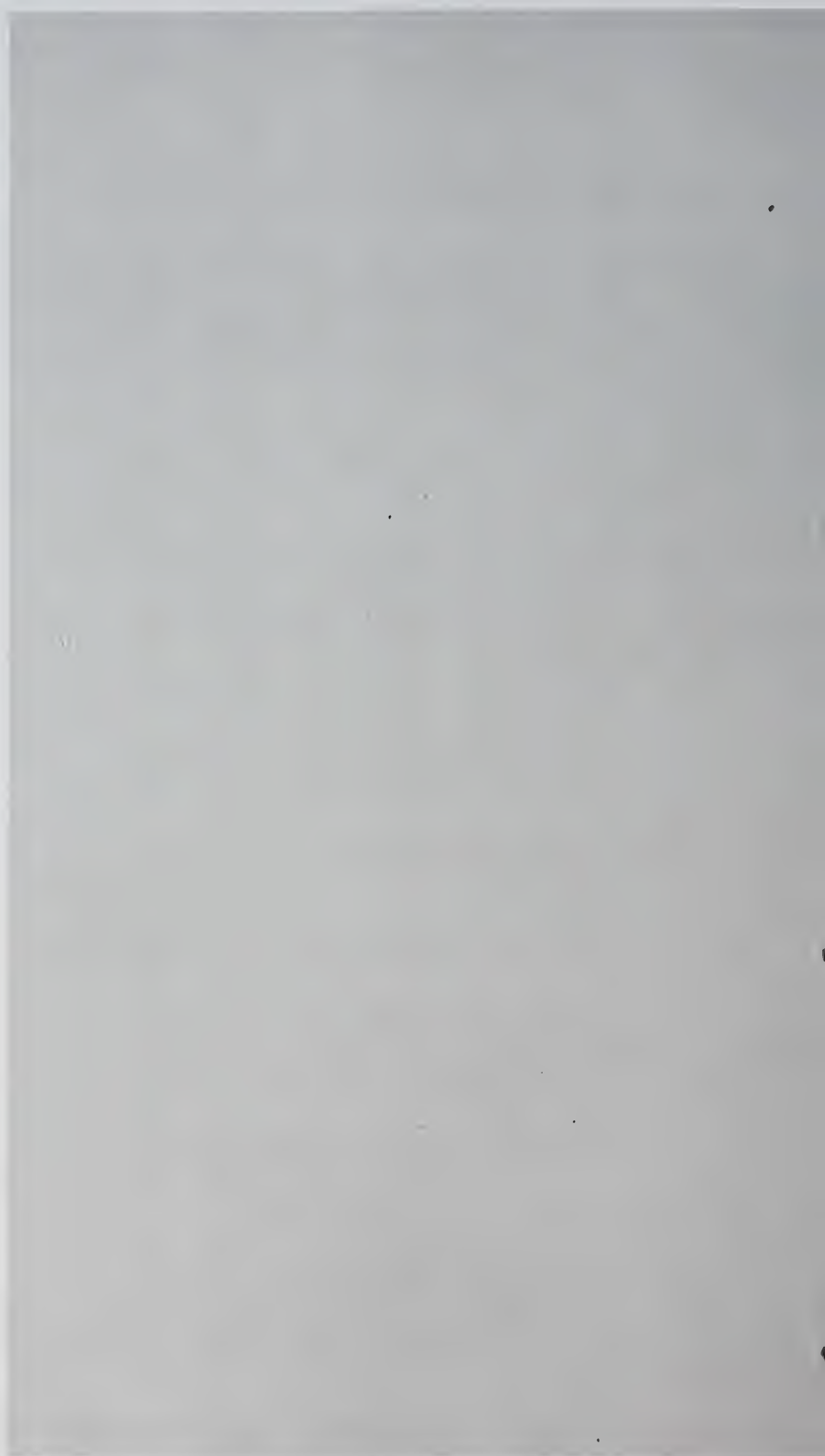
S. J. Hungerford, Vice President of Operation
and Construction

E. P. Mallory, Director of the Bureau of
Statistics

J. B. McLaren, Comptroller

C. D. Cowie, Assistant to Vice President
of Finance

C. S. Gzowski, Chief Engineer of Construction



Parliament Buildings, Ottawa,

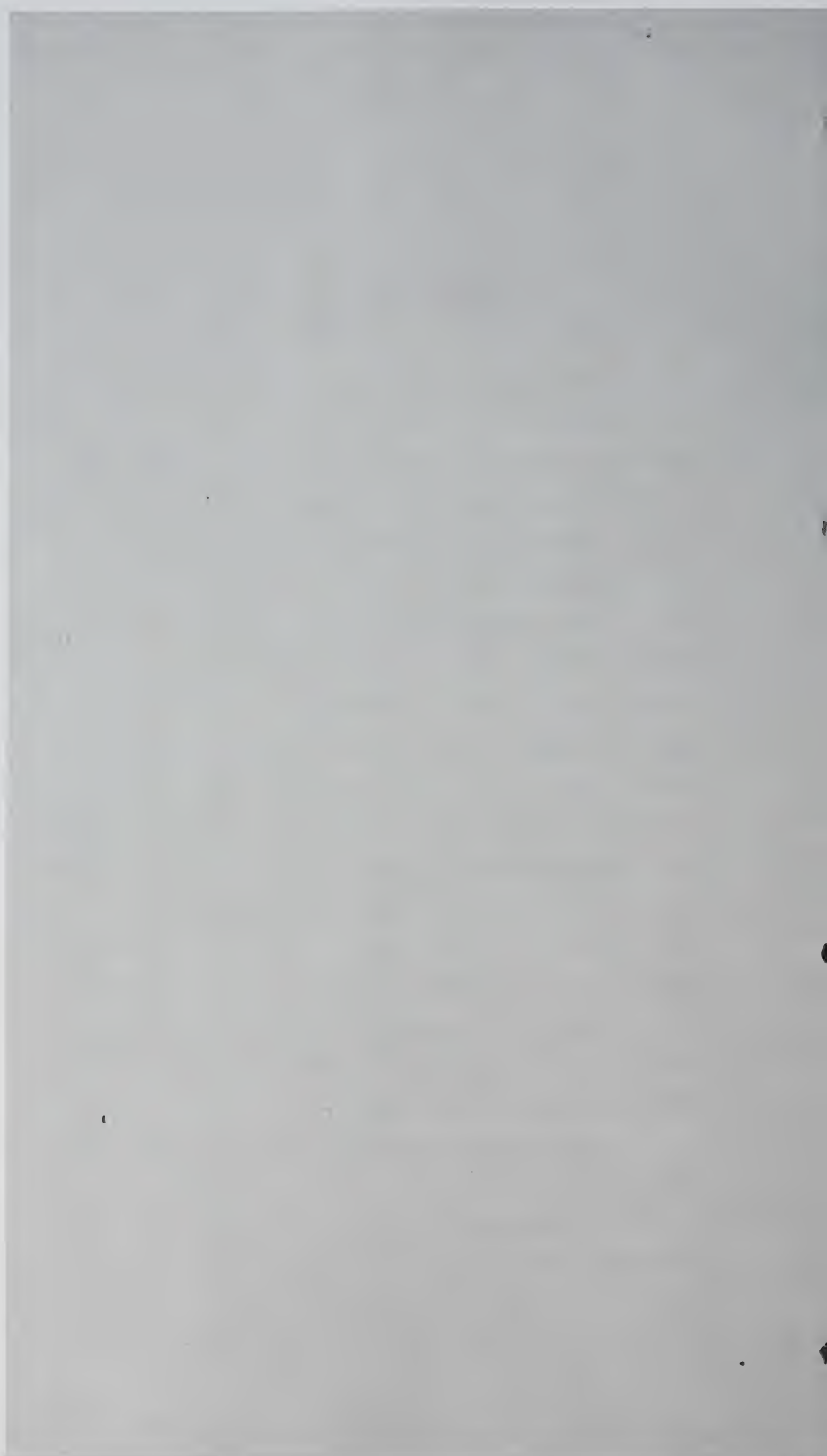
Friday, December 4, 1931.

AFTERNOON SESSION

The Commission met at 2.30 p.m.

RIGHT HON. SIR GEORGE PERLEY (Acting Prime Minister): Hon. Mr. Justice Duff, Gentlemen of the Commission, others here present: It falls to my lot -- in this instance a happy one -- to express on behalf of the Canadian Government a sincere welcome to the members of this Commission on this the occasion of their first meeting. I regret exceedingly that the Prime Minister is not in Canada at the moment, because I know he would be glad to have the opportunity of saying a few words to you. The formation of this Commission is something in which he took a great interest; it was close to his heart and had been for some time before he left Canada for a brief holiday. I know he gave of his best in the selection of the proper men to comprise the Commission, men who would command the confidence of the people of this country and of every shade of politics and religion. I am sure that we have succeeded in forming a Commission of that kind, and I am happy to say that the newspapers and the people throughout Canada have received it in that spirit.

Gentlemen of the Commission, to my mind you have before you the most important question that faces Canada to-day. I need not enlarge upon that; I am here only to extend to you a few words of welcome. But may I say that we have in this Canada of ours immense resources; we have a self-confident people who are able to rise to the occasion when required,

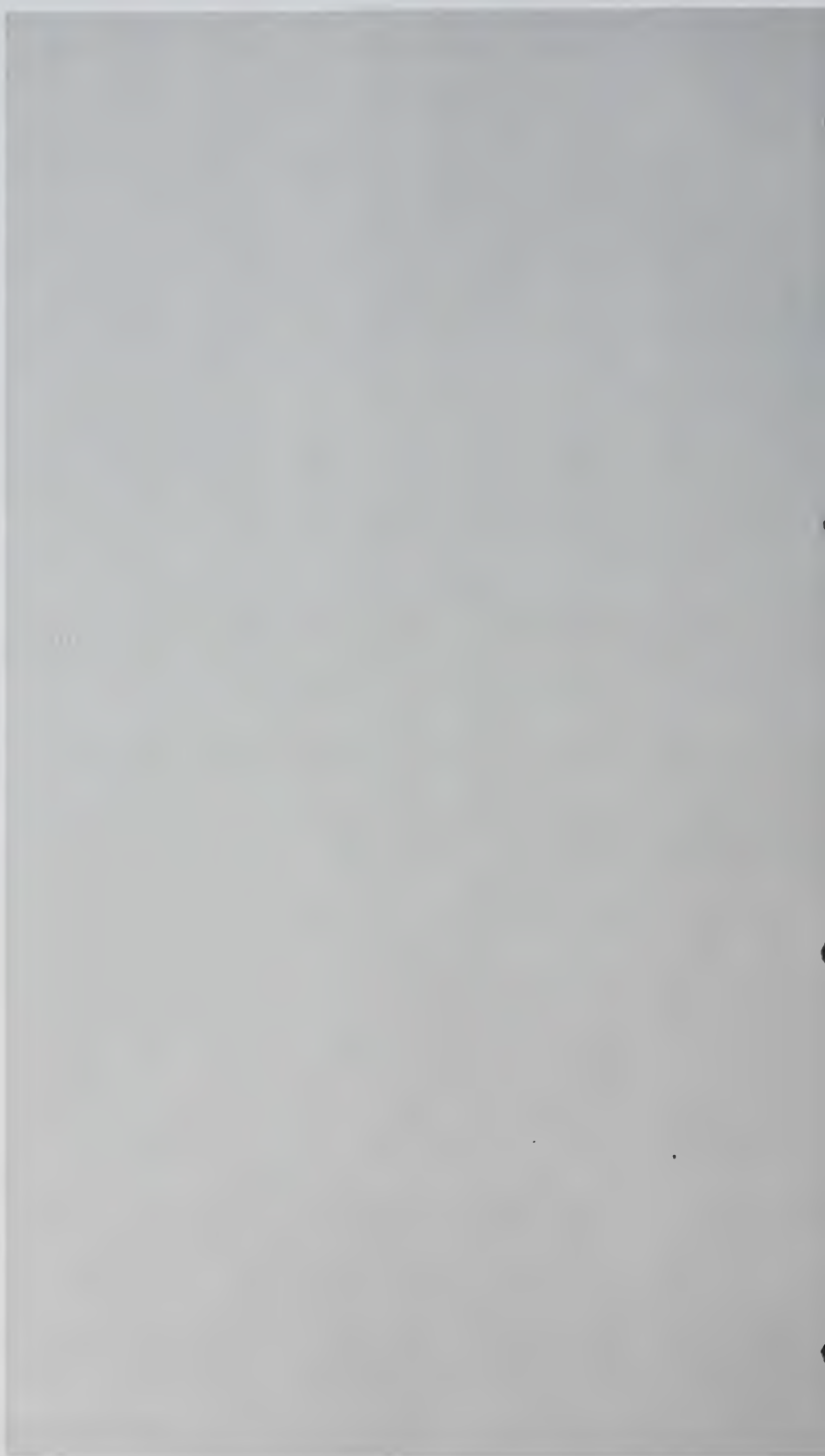


as was amply demonstrated during the last few days of the response to the National Service Loan, a response which has heralded throughout the world the strength of our people and of our institutions. But we must find a way of clearing up the present difficulty in regard to the transportation problem. We have a difficult situation so far as the railways are concerned -- decreasing revenues and competition from motors and from the air -- and your business will be to find a solution of this problem which will be fair to the employees of the railways and the holders of the securities, both the Canadian National and the Canadian Pacific, and the people generally.

May I express to you my personal appreciation, and that of the Government as well, for your willingness to undertake this great public service? I believe all of us in our hearts are willing to perform worth while public service, and certainly you gentlemen have assumed a task which is of paramount importance to the welfare of this country. I feel sure that after deliberation you will be able to make a report which will carry the general approval of the people and will help us to deal in a satisfactory way with the difficulties with which we are now confronted in connection with the transportation problem.

With these words, gentlemen, I leave you to the tender mercies of the genial Chairman of the Commission, Mr. Justice Duff, and I wish you Godspeed in the great work that you have before you.

THE CHAIRMAN: Sir George, the members of the Commission, I think I can safely say, are under no illusion as to either the importance or the magnitude of the task with which the Government has entrusted us, and which we have



undertaken to perform to the best of our ability. We shall spare no effort to arrive at some result, and it only remains to say that we thank you for your kind welcoming words.

It is usual, I think, to open the proceedings of the commission with the reading of the order in council, but I think we can dispense with that; we are all familiar with its terms. I think we may properly proceed by hearing from Dr. Manion.

HON. R. J. MANION (Minister of Railways): Mr. Chairman, Your Lordship and Gentlemen: In the absence of the Right Honourable R. B. Bennett, the Prime Minister of Canada, Sir George Perley, the Acting Prime Minister, has just expressed to you the welcome and best wishes of the Government of Canada, and as Minister of Railways I take the liberty at this, your first session, of endorsing his words; and I do this most sincerely indeed, as, having been Minister of Railways for well over a year now, I have had opportunity of realizing the seriousness of the whole railway situation in Canada, and therefore appreciate to the full the heavy task that has been placed upon your shoulders in requesting you to endeavour to work out a solution of this problem. That you may evolve a solution which will be beneficial not only to the railway companies themselves but to the people of Canada generally will be the sincere desire of every loyal and thoughtful Canadian.

The suggestion has been made by you, Mr. Chairman, and other Commissioners that at the opening session a brief general summary of the railway situation should be given by the Minister of Railways, in view of which it may be well to outline the genesis of this Commission, and then briefly

to lay before you the facts and figures of the situation.

It has been the custom for some years for the House of Commons to appoint at each Session a "Select Standing Committee on Railways and Shipping owned, operated and controlled by the Government", this Committee being chosen from all the parties in the House of Commons in proportion to their numbers, being, therefore, representative of all groups, opinions and parties in the Dominion. The duty of this Select Standing Committee has been to call before it representatives of the Canadian National Railways, including Sir Henry Thornton and his officers, to discuss with them the whole railway situation, to consider the revenues and expenditures of the Canadian National system for the past year, and to inform themselves so far as possible on the financial needs of that system for the coming year; sufficient sittings of the Committee being held and all the necessary officers being present so that at the conclusion of the sessions of the Committee a report might be made to the House, in which report the Committee offers any suggestions or conclusions for the consideration of Parliament.

According to custom, the House of Commons at the Session of 1931 appointed a Select Standing Committee on Railways and Shipping, composed of twenty-two members, which Committee held thirteen meetings -- a greater number than usual because of the increased seriousness of the whole railway situation in Canada. At the meeting of that Committee held on June 25th, 1931, Sir Henry Thornton, K.B.E., Chairman of the Board and President of the Canadian National Railways, expressed a desire to make a statement on the general transportation situation, and in doing so

he suggested:

"that the Government should appoint a commission of men who, because of their business standing, their knowledge and experience and the confidence which the public has in them because of those attributes, to consider the transportation situation and endeavour to arrive at some definite recommendation."

And he added:

"That is all I have to say on the subject, gentlemen, but I would again repeat, perhaps to the point of nausea, but in order that it may not be misunderstood, that in making this suggestion I have only at heart what I believe to be the welfare of the country and an earnest desire that the policies of this country with respect to transportation should be carefully, exhaustively and intelligently determined upon."

With that earnest desire for the welfare of the country everyone agrees. That the idea of a commission impressed itself upon the Select Committee is evidenced by the fact that in their final and unanimous report to the House the following statement is made:

"Your Committee desire to call the attention of the House to the proposal made by Sir Henry Thornton at one of the sessions of the Committee. He referred to the serious position of the transportation business generally and recommended that a commission be appointed for the purpose of considering the whole question of Canadian transportation. Your Committee regard such a recommendation coming from such a source at this time as worthy of the serious consideration of the Government."

The report of the Committee was signed by all of its members with the exception of one who was out of the city. On the submission of this report to the House, it obtained the unanimous support of all parties, groups and members; thus becoming practically an instruction from the House of Commons to the Government of the day. Since that time the financial position of both systems has

become markedly worse, and public opinion throughout the country has almost solidly endorsed the recommendation of Sir Henry Thornton and the Select Standing Committee on Railways and Shipping. Both the friends of the publicly owned Canadian National and the friends of the privately owned Canadian Pacific agree that the appointment of such a commission will have the effect of clearing up the situation and perhaps aiding materially in the solution of this very serious problem. The appointment of your Commission is the result. May I add that the personnel of the Commission has been received with the approbation not only of the press and people of Canada generally but of the presidents of the two great railway systems.

It might be asked why it is necessary in this year 1931 to appoint a commission to look into the railway and general transportation question in Canada. The answer to that question is that the appointment of such a commission is necessary because of the serious financial position of the two great railway systems and its bearing upon the whole financial structure of the Dominion. To elaborate that proposition it will be necessary to go back somewhat into the history of railway construction and railway policy in our country. In doing so I wish to assure the Commission that in attempting the following brief review every effort will be made to make such review absolutely dispassionate and non-partisan, as I have no desire whatsoever either to apportion blame or to offer criticism for whatever lack of wisdom there may seem to have been in the policies followed. Those policies were endorsed generally by the people of Canada on various occasions after their

adoption.

At the beginning of the present century Canada had one transcontinental railway -- the Canadian Pacific -- with the Grand Trunk Railway running through Eastern Canada, and the Canadian Northern beginning to be constructed in Western Canada. The country generally was going ahead rapidly; there was a heavy influx of immigrants into our western provinces, and there prevailed a spirit of over-optimism which unfortunately inspired the railway policies which followed -- policies which were primarily suggested by the proprietors of the Canadian Northern and the Grand Trunk Railways. As a result, two more transcontinental systems were projected -- the Grand Trunk Pacific and National Transcontinental in association with the Grand Trunk Railway, and the extension east and west of the Canadian Northern by the Mackenzie and Mann interests. This led to the building of much unnecessary railway mileage and an unwise duplication and competition, which has gradually led us to the present situation, the kernel of the whole matter being that Canada has to-day a smaller population per mile of railway than that possessed by any other country in the world, a condition which cuts down the density of passenger and freight traffic to a dangerous level. For example, the population per mile of railway in Great Britain is in round figures 2,000, in France, 1,200, in Germany 1,700, in the United States 500 and in Canada something under 250. Add to this the competition of the private automobile, the motor truck and motor bus, a development of the last 25 years, and the various causes of the disease are not difficult to understand. We are in the midst of a new development in road transport which cannot be ignored and must be grappled

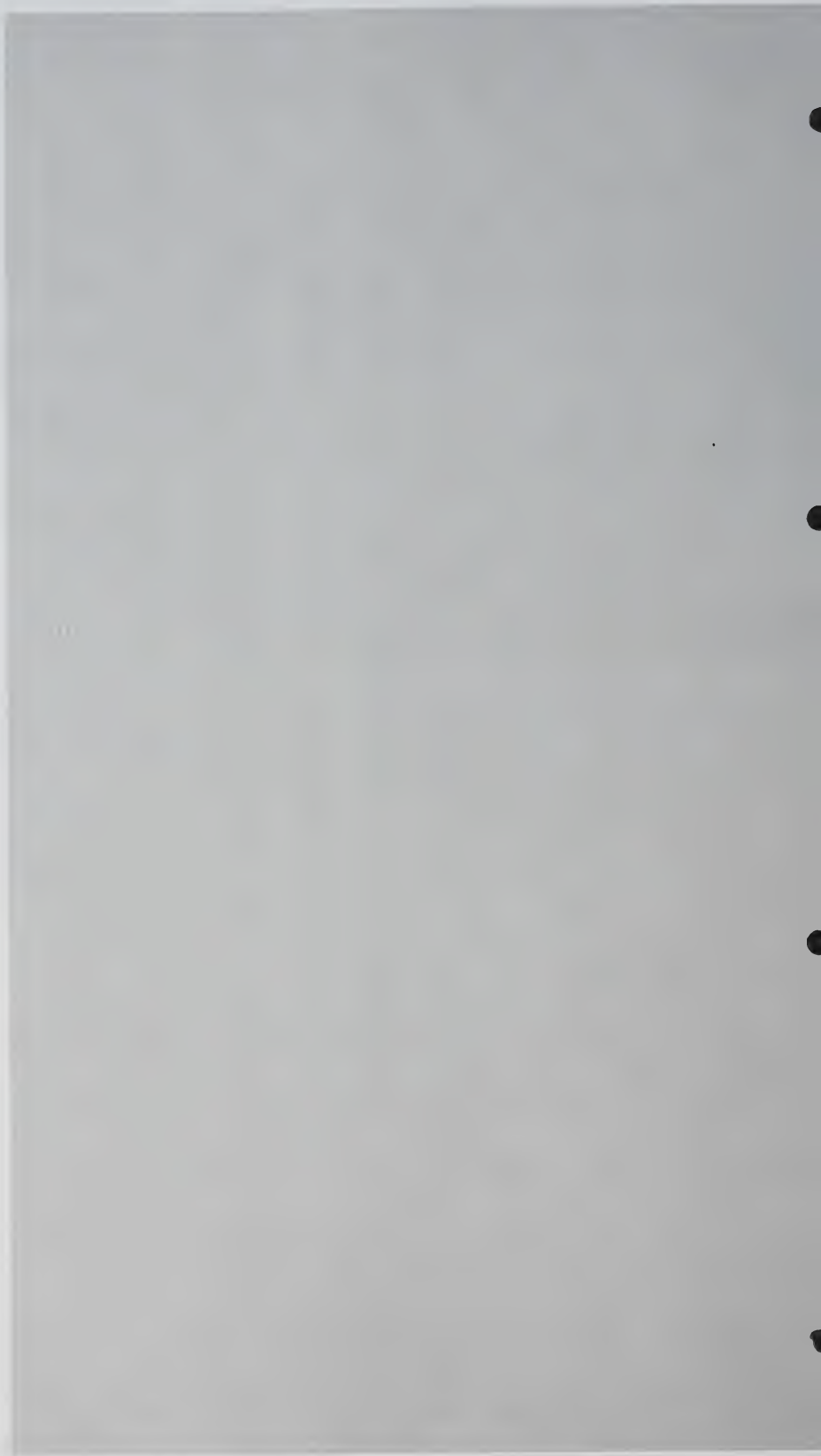
with. It is complicated by conflicting jurisdiction. Primarily the highway question is provincial in character. The stake of the provinces is large. The total funded debt of the provinces incurred for highway purposes outstanding on December 31st, 1929, was almost \$268,000,000, and that does not take into account municipal obligations. On the other hand, the Dominion has jurisdiction in extra-provincial railway matters, and it may be necessary to devise some measure of regulation and control of road transport that will be fair to the railways, and not unfair to the provinces or to the provincial interests concerned. It is an interesting situation, a strange turning of the tables, so to speak. The development of the railway attracted the bulk of the transport business from the historic King's Highway. Now, after a lapse of almost a century, highway competition begins to press upon the railways. Will the menace be met by the railways returning in part to the highways, producing a combined and co-ordinated service that will be amenable to control and regulation by agreed authority? That, gentlemen, is one aspect of the transportation problem you are called upon to consider and in respect of which your recommendations will be eagerly awaited.

As to the railways, it is easily seen now that the part of wisdom early in this century would have been to link up the Grand Trunk in the east with the Canadian Northern in the west, thus bringing into existence a second transcontinental to compete with the privately owned Canadian Pacific. As usual it is much more easy to see our past mistakes than to correct them. However, the second and third transcontinental systems were embarked

upon, greater and greater amounts of money and bond guarantees being requested by their sponsors from the Government and people of Canada, until finally, during the war, when both the second and third transcontinental systems had been nearly completed, the heavy financial demands upon the Government on account of the war, and the inability of the Canadian Northern and Grand Trunk to carry out their obligations, forced upon the Government of that day a situation which was realized to be very serious indeed, and as a consequence the Drayton-Acworth Commission was appointed on July 13th, 1916, to study the question.

At the end of a thorough investigation by the members of the Drayton-Acworth Commission, a report signed by Sir Henry Drayton and William (afterwards Sir William) Acworth (though dissented from by the late Alfred H. Smith, the third member of the Commission,) was made to the Government on April 26th, 1917. In brief, their recommendations advised the taking control by the Government of the Grand Trunk, Grand Trunk Pacific, and Canadian Northern, pointing out that otherwise these railways must go into the hands of a receiver. They recommended that a Board of Trustees of five members be incorporated by act of parliament, to which Board should be transferred these three railways as well as the Intercolonial and National Transcontinental; that the Board of Trustees "operate the whole group as one united system, on a commercial basis, under their own politically undisturbed management on account of and for the benefit of the people of Canada."

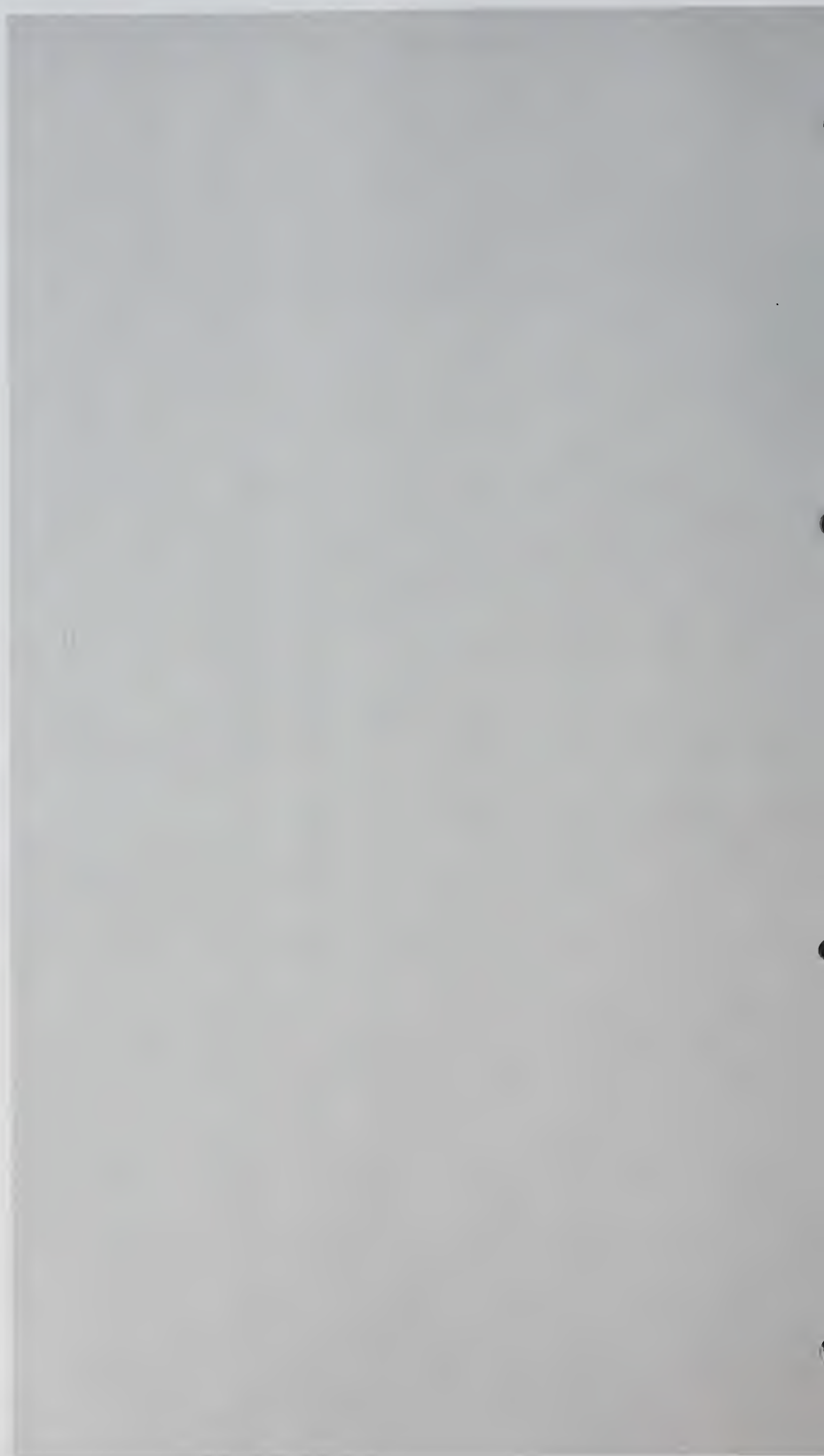
They advised that the Board be self-perpetuating and non-political, and they recommended that the authority of the Railway Commission be extended to this "Dominion



Railway Company", as they called it. A number of other minor recommendations were made, but in a large general way these were their important plans for the solution of Canada's then railway problem -- a problem, by the way, which greatly resembles that of 1931, except that in the meantime many hundreds of millions more have been advanced to or guaranteed for the Canadian National Railway by the Government of Canada.

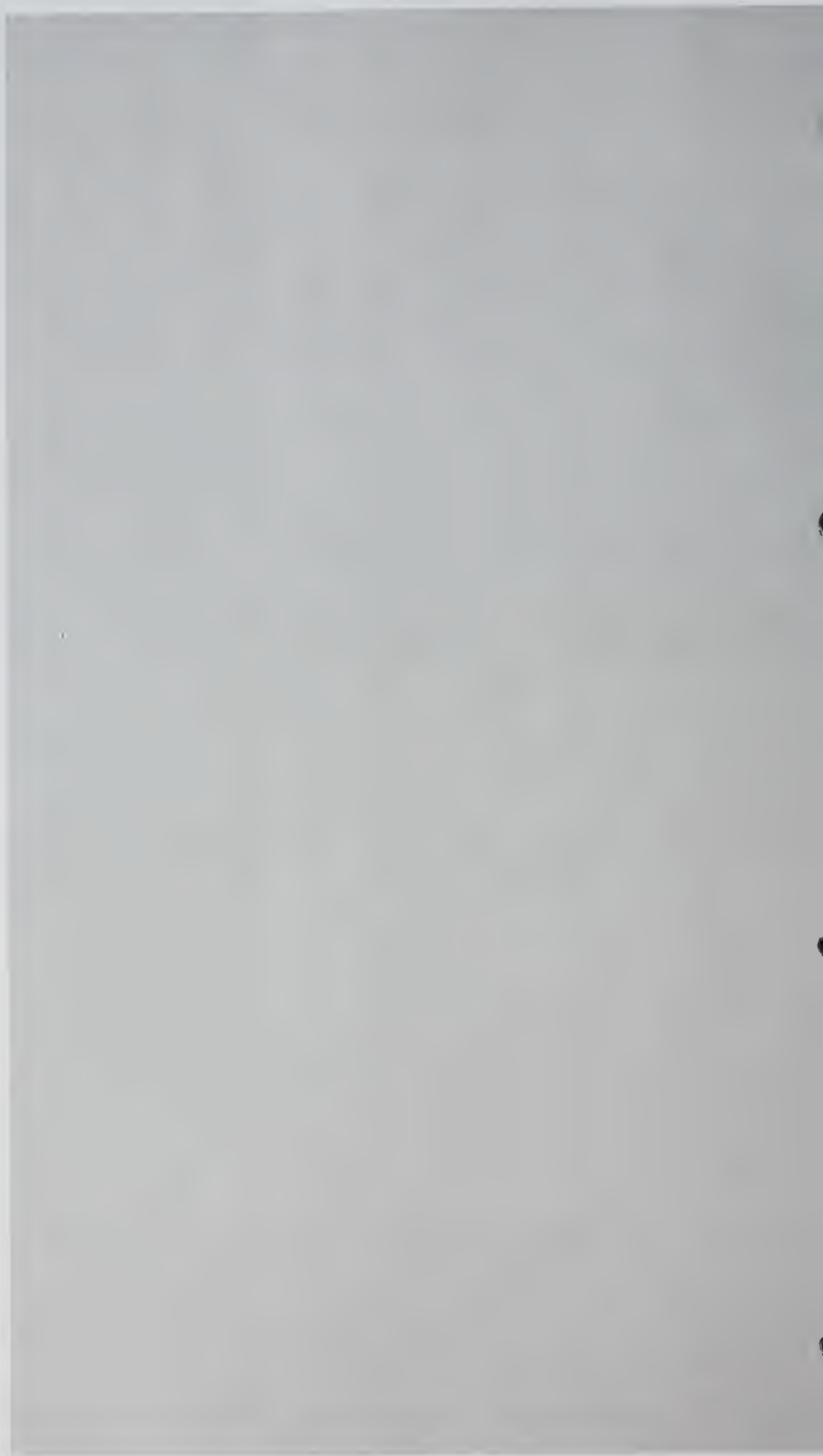
In a general way, with some, perhaps not unimportant, modifications, the recommendations of the majority report were carried out between 1917 and 1923 by the different Governments in power, the aim apparently being to take the fullest advantage of the Drayton-Acworth investigation. But in the process of gradually adopting the recommendations -- to the extent to which they were adopted -- other changes were necessary which must be mentioned to complete the record.

In September, 1917, legislation was assented to authorizing the acquisition of such capital stock of the Canadian Northern Railway as had not already passed into Government hands in return for financial aid. The arbitrators completed their award in May, 1918, and shortly after the armistice the Canadian Northern Board of Directors was given the management of the Canadian Government lines, including the National Transcontinental Railway, which had been thrown in with the original Canadian Government system in 1915, when the Grand Trunk Pacific failed to lease it on completion as had been agreed. In December, 1918, the Canadian Northern Board was authorized to use the collective and descriptive designation "Canadian National Railways" for the management and operation of



all lines then being administered by the Canadian Northern Board. At that point the Canadian Northern passed out of the picture as a separate entity.

There remained the Grand Trunk and the Grand Trunk Pacific, as to both of which negotiations for acquisition had been proceeding during 1918. In March, 1919, the affairs of the Grand Trunk Pacific were brought to a head by the Grand Trunk serving notice on the Government that its western offspring could not longer continue operations, and, facing the possibility of a complete tie-up of the railway, the Government had no alternative but to appoint the Minister of Railways receiver, and to carry on. This development took place in the midst of the negotiations for the acquisition of the Grand Trunk capital stock, the value of which was submitted to arbitration, pending which, from May of 1920, the Government became responsible for Grand Trunk financing, and a committee of management was set up between Canadian National and the Grand Trunk officials for a measure of co-ordination and co-operation. There was delay in connection with the arbitration proceedings, which necessitated still further legislation in 1921, as a result of which the direction and control of the Grand Trunk was shifted from London to Montreal and a Canadian Grand Trunk Board was set up under the chairmanship of Sir Joseph Flavelle, who is with us to-day as a distinguished member of the present Commission. The arbitration then proceeded to a conclusion, the award being made in September, 1921. A change of Government intervening, it was not until October, 1922, that the Canadian National Railway Board was reorganized following the selection of Sir Henry Thornton as President and Chairman, and the Grand Trunk Canadian Board ceased



to exist.

By these various steps, the Canadian Northern, the original Government Railways, the Grand Trunk Pacific and the Grand Trunk were linked up into one publicly owned and operated system, to compete with the privately owned and operated Canadian Pacific, with the hope that by healthy competition between them the people of Canada would be well served from a railway standpoint. The publicly owned system thus brought into being, having been constructed as two separate transcontinental lines, had hundreds, perhaps thousands, of miles of unnecessary trackage, much of it consisting of parallel lines within a stone's throw of each other, serving the same territory, duplicating service to a sparse population which could not give passenger or freight traffic sufficient for either of the lines -- a condition which naturally added greatly to the cost of maintenance and operation.

The Board of Directors appointed on this reorganization was not made self-perpetuating but was appointed from time to time, -- business, agriculture and labour representatives, coming from the different sections of the Dominion, being appointed when necessary by order in council, as the Canadian National Railway Act of 1919 made necessary. Whether the omission of the self-perpetuating condition was unwise is a matter of opinion, but, due to Canada's immense area and sparse population, and due to sectional interests and considerations, it was felt that the Board of Directors must be representative of all Canada, even though this condition gave a more limited choice of Directors, and gave as well a directorate which was more difficult of convening. This was perhaps felt



to be more than counterbalanced by the advantage of having a directorate capable of expressing the views and aspirations of the different sections, interests, and industries of Canada.

Thus by 1923 Sir Henry Thornton and a unified Board of Directors were in a position to manage and operate, free from political interference, the entire National system. Due to a rapid upward trend in world conditions, in which Canada shared, business for both railways seemed to go well until 1928, when the combined gross operating revenues of the Canadian Pacific and the Canadian National amounted to \$533,000,000. In 1930 this total decreased to \$402,000,000, and in 1931 the prospects are that a further decrease of \$80,000,000 for the two systems will occur.

During the five years from 1924 until 1928, there was very strong competition between the two systems. Capital expenditures were very heavy, luxurious passenger services were instituted, but in spite of this the Canadian Pacific was able to pay its usual dividends, and the Canadian National in 1926 and 1928 had a small surplus over interest payments due on its publicly owned bonds, since which date interest due the public has increased by over fifteen million. Perhaps, as is usual under such circumstances, over-optimism became evident in railway administration, leading to a competition which did not lessen the difficulties when the world business depression of 1929 hit Canada as well as other countries. As a result, since 1929 the operating revenues have been rapidly declining, so that the gross earnings of the Canadian Pacific and Canadian National combined will be,

as outlined above, about \$200,000,000 less in 1931 than they were in 1928. Because of this, the Canadian Pacific has been forced to decrease its dividend on common stock from 10 per cent to 5 per cent, and the Canadian National, instead of earning sufficient to pay its bond interest, will in all probability in 1931 be able to meet little, if any, of the \$57,000,000 due to the investing public; in addition to which the Canadian National has estimated its other requirements for the year 1931 at around \$60,000,000. This figure includes the requirements for the Eastern Lines deficit, for the Maritime Freight Rates Act, for new equipment, for branch lines, for the Toronto and Montreal terminals, and for one or two smaller items, making a grand total of cash or guarantees required from the Federal Government in 1931 of \$118,000,000, in round figures. This sum does not include interest due to the Government on past advances to the Canadian National Railways or to various lines comprized within the National system, such interest amounting to \$32,000,000 per annum. Nor does this large requirement include anything for expenditures by the Government upon the Hudson Bay Railway or the Prince Edward Island Car Ferry, amounting to \$7,000,000 for 1931.

When it is remembered that the total revenue receipts for the Dominion of Canada in the pre-war year 1913 were less than \$169,000,000, and when it is also remembered that in the fiscal year 1931-32 the interest on our war debt amounts to over \$100,000,000, and our pension bill and other charges traceable to the war amount to some \$75,000,000, the serious effect upon the whole financial structure of Canada of our railway situation can be easily realized and the need for such a commission as

yours is not difficult to understand. This is particularly apparent when one recalls that, in addition to the vast financial assistance being granted by the Government to the Canadian National, one must also take into consideration the financial position of the Canadian Pacific because of its decreased earnings, and the effect upon the lending public, particularly outside of Canada, not only of the recent reduction in the long-established dividend of the Canadian Pacific but of the possibility, should present adverse conditions continue, of the complete cancellation of that dividend. It is thus not hard to understand why the friends of both railway systems have been urging the appointment of some independent body to investigate and report upon our transportation problem with a view to recommending some plan or plans whereby the people of Canada may be served adequately by the railways and yet whereby the financial structure of the country may not continue to be endangered.

I have touched briefly upon the earnings of both railway systems. May I in a few words deal with the capital structure.

The Canadian Pacific has:

Bonds outstanding	\$446,000,000
Preferred Stock	129,000,000
Ordinary Stock	<u>335,000,000</u>

Total \$910,000,000

In addition to which the Government has contributed in early years in cash and completed road -
 \$105,000,000.

The Canadian National has:

Bonds due to public	\$1,288,000,000
* Capital Stock, Canadian Northern, cost	10,000,000
Government obligations:	
Government Loans	604,000,000
Cost of Canadian Government Railways construction	403,000,000
Government interest accrued but unpaid	350,000,000
Total	\$2,655,000,000

(* This is carried in Canadian National
books at \$270,000,000.)

Or, leaving out of account the Canadian National debt to the Government upon which no interest has been paid, the two railway systems have a public investment of some \$2,200,000,000 approximately.

Canada's war and demobilization costs as given in Public Accounts amount to \$1,695,000,000. Compare this figure, immense as it is, with the total cost of the Canadian National to the Dominion in cash, interest and guarantees for which the Federal treasury is responsible, giving a total of \$2,655,000,000, and the costs of the war and demobilization are found to be not over two-thirds of the cost of the National Railways. I may say that in regard to the \$2,655,000,000, there are a few of the bonds which the Government has not guaranteed. Indeed the figure of \$1,288,000,000, representing only the Canadian National debt due the investing public and upon which interest must be met annually, is not far behind the cost of war and demobilization. And if one adds to the Canadian National public debt the Canadian Pacific figure of \$910,000,000 given above, a stupendous total is attained, demonstrating the burden of railway finance resting upon the shoulders of the 10,000,000 people of Canada.

A much fuller analysis of the whole situation might well be made, but as you will hear the evidence of

Sir Henry Thornton and Mr. E. W. Beatty, the Presidents of the two great railway systems, and as you will have the opportunity of studying thoroughly the whole financial structure of the railways of Canada as outlined by the two Presidents and their officers and as contained in statements submitted to you by my Department and by the financial officers of the two railway systems, it would seem unnecessary for me to go more deeply into the question at this moment. I may state most sincerely that the Government has every confidence in the ability of your Commission to go thoroughly into the whole situation. We feel that in the appointment of this Commission we have appointed men of sterling character and outstanding ability. Lord Ashfield and Mr. Loree, coming from Great Britain and the United States respectively, may be taken in a sense to represent investors in both those countries who have placed vast sums in the railways of Canada. In appointing you, Mr. Chairman, and the other Canadians, we feel that we have chosen men who have made their mark in various lines of endeavour, and who are well fitted to understand the economic and transportation principles involved.

You will have the assistance not only of experts representing the two great railway systems but you are at liberty to call in experts independent of both. You are empowered by the Order in Council to go as fully into the question as you deem necessary. Your powers are as wide and your time as unlimited as may be considered to be required by you. You have all the powers under the Inquiries Act and you have the right to request from the Board of Railway Commissioners of Canada or my Department

or any other Department of the Government service any information which is necessary to assist you. The Government is leaving to your discretion the whole inquiry and the conduct of the same, knowing that you will deal with principles rather than with details, and feeling confident that the result of your investigation can be of great assistance not only to the Government but to the two great railway systems, and as well to the people of Canada generally. We shall look forward with hope and confidence to the result.

(Page 24 follows)

THE CHAIRMAN: We are obliged to you, Dr. Manion, for your statement. We shall hear from Sir Henry Thornton now. For the purposes of this inquiry the hearing of Sir Henry Thornton and Mr. Beatty will be private, and we will ask all those who are not concerned with the work of the Commission to withdraw. Before you proceed with your statement, Sir Henry, the Commission would like to have a short conference.

(The railway officials and others having retired, the Commission conferred.)

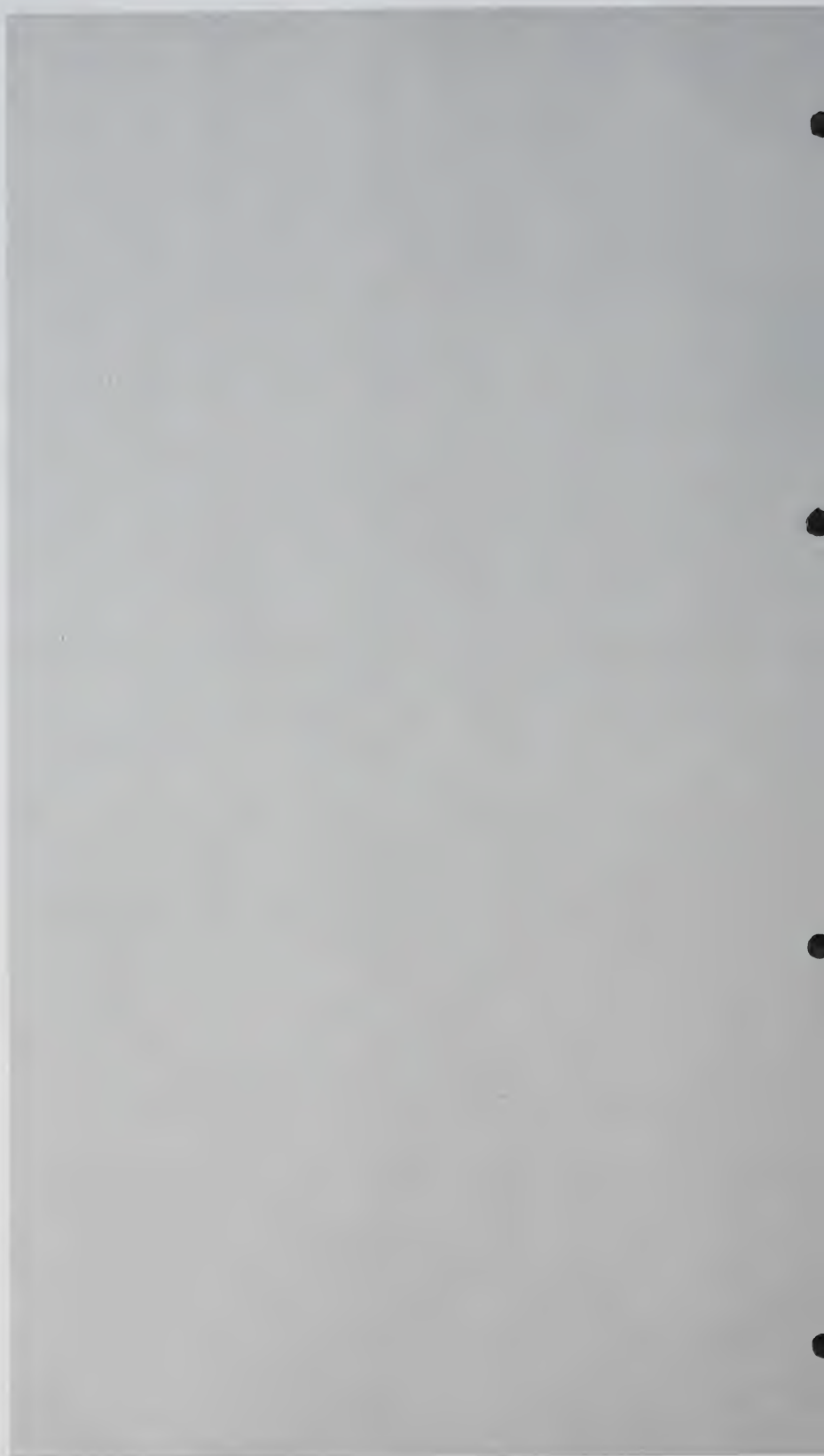
THE CHAIRMAN: We will now ask Sir Henry Thornton and his officials to return.

SIR HENRY THORNTON (President and Chairman of Board of Directors, Canadian National Railways): Mr. Chairman and Gentlemen of the Commission: Permit me very briefly to say that I find myself fully in accord with the words of welcome which have been expressed by the Right Hon. Sir George Perley and the Hon. Doctor Manion.

Perhaps this would be an appropriate time to give you a list of the officers of the Canadian National Railways who will accompany the party:

- S. W. Fairweather, Director of the Bureau of Economics.
- S. J. Hungerford, Vice President of Operation and Construction.
- E. P. Mallory, Director of the Bureau of Statistics.
- J. B. McLaren, Comptroller.
- C. D. Cowie, Assistant to Vice President of Finance.
- C. S. Gzowski, Chief Engineer of Construction.

These gentlemen, representing various departments of the railway, will be in a position to supply quickly



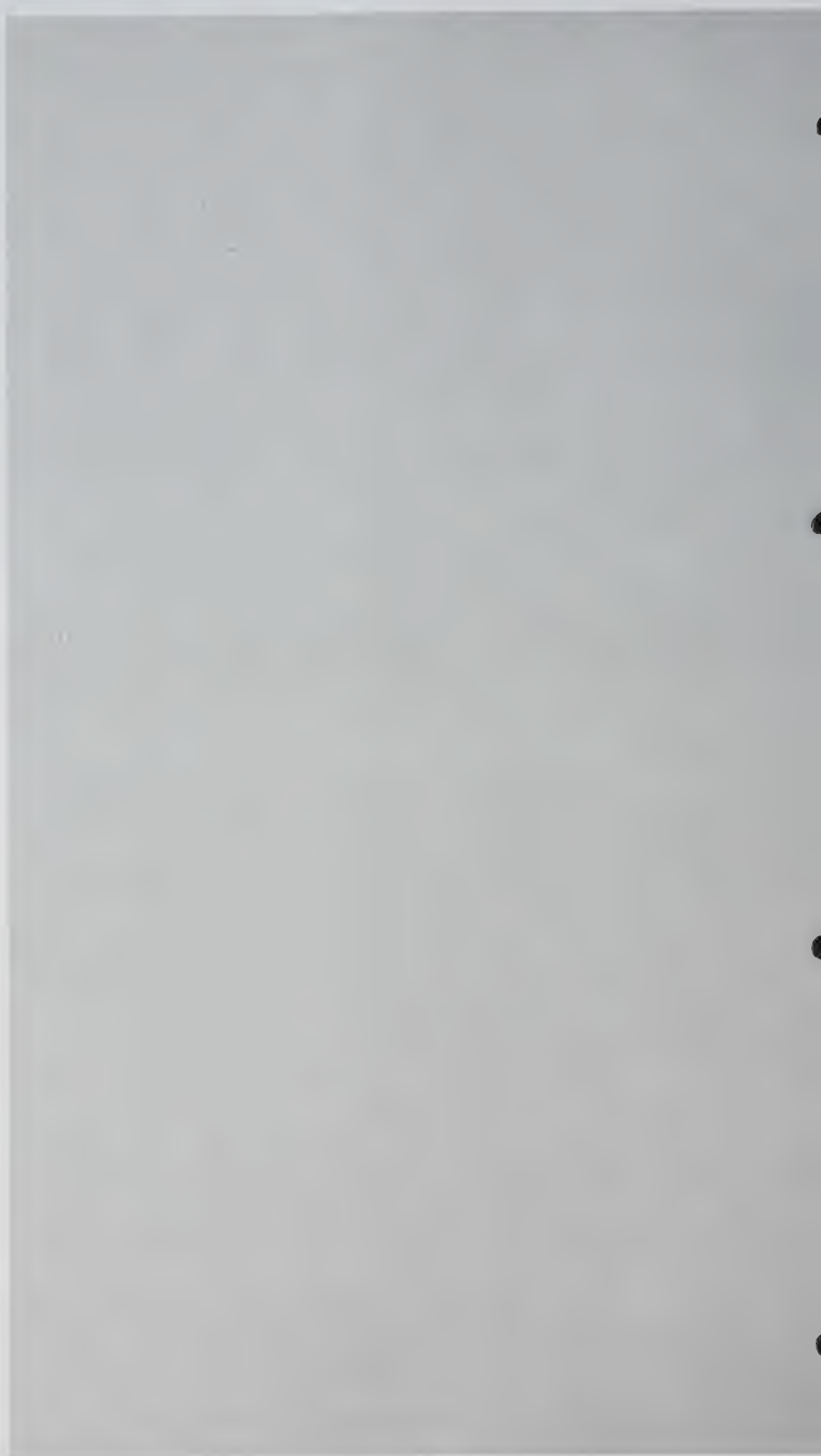
statistics upon any subject with respect to which you may require information. Mr. Fairweather, I may say, acts as my personal representative; he is familiar with my views and will be in a position to express those views if you wish to have them. I might also add that at the suggestion of both Mr. Beatty and myself a qualified medical practitioner, Dr. Senecal, will be with you. I hope you will not have need for his services, but he will be competent to deal with any situation that arises in connection with which he could be of assistance.

I wish to say also that as far as the Canadian National is concerned, and I am sure Mr. Beatty feels the same way about it, we will freely and frankly furnish any information you want about any subject. There is nothing to conceal; we want to have the information full and complete.

Sir Joseph Flavelle asked for certain information. In addition to that there has been prepared a file of statistical information bearing upon the whole question, a copy of which will now be furnished to each member of the Commission. I will tell you briefly what is contained in this file, but the subject is a large one and difficult to deal with in concise fashion.

First there is a pamphlet setting forth the statistical information requested by Sir Joseph Flavelle. There is on the first sheet an index, and the information requested follows. I need not go into detail with regard to this pamphlet; suffice it to say it is what Sir Joseph asked for.

Secondly, there is a pamphlet entitled, "Condensed History of the Canadian National Railway System." That is



an epitome of the history of the Canadian National Railway which was embraced in Dr. Manion's speech.

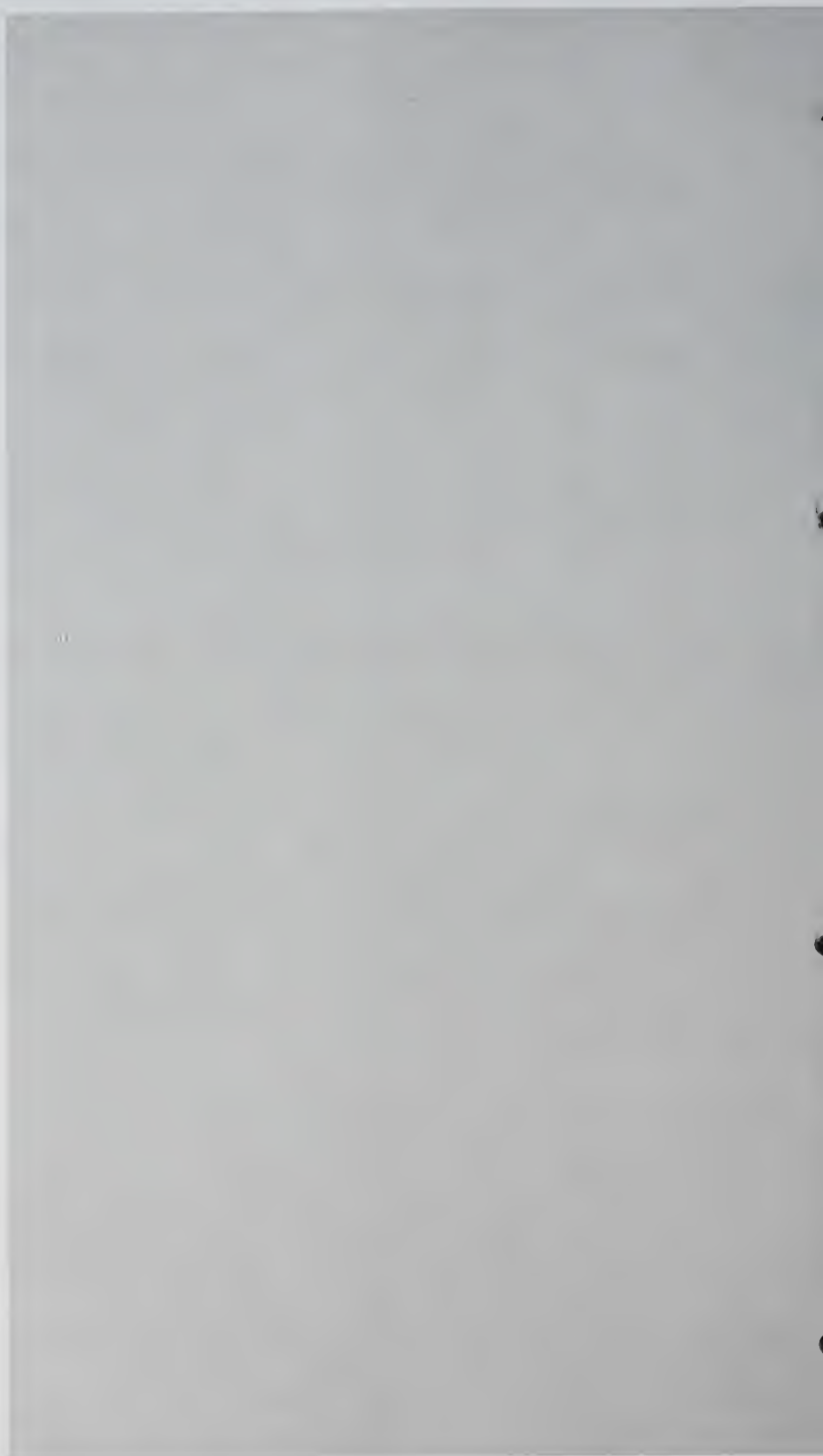
Next there is a yellow pamphlet setting forth the financial history of the Canadian National Railway System -- an intricate and difficult thing to follow, but the information is given in as concise a fashion as possible.

The next pamphlet is entitled, "Receipts and Expenditures, January 1, 1923, to December 31, 1930," the first date mentioned being the commencement of consolidated management. That gives the financial performance of the railway in the matter of receipts and expenditures for the period stated.

The next pamphlet is entitled, "Eastern Lines, Memorandum re Accounting." That represents the financial history and the financial performance of what are known as the Eastern Lines, being those included in the Maritime Freight Rates Act. These accounts are kept separate from the Canadian National Railways.

Then there is another yellow pamphlet -- "Incorporation and General Information of Subsidiary and Affiliated Companies," brought up to date. That includes the history of all the various subsidiary companies of the Canadian National System.

The next pamphlet -- "System -- Income Statements" -- covers the month of October, 1931, and includes also, separately, a summation for the year 1931. There is included the Twelfth Annual Report of the Canadian Government Merchant Marine, the Annual Report of the Canadian National Railway System for the year ended December 31, 1930, and the reports of both the Canadian Government Merchant Marine and the Canadian National Railway System

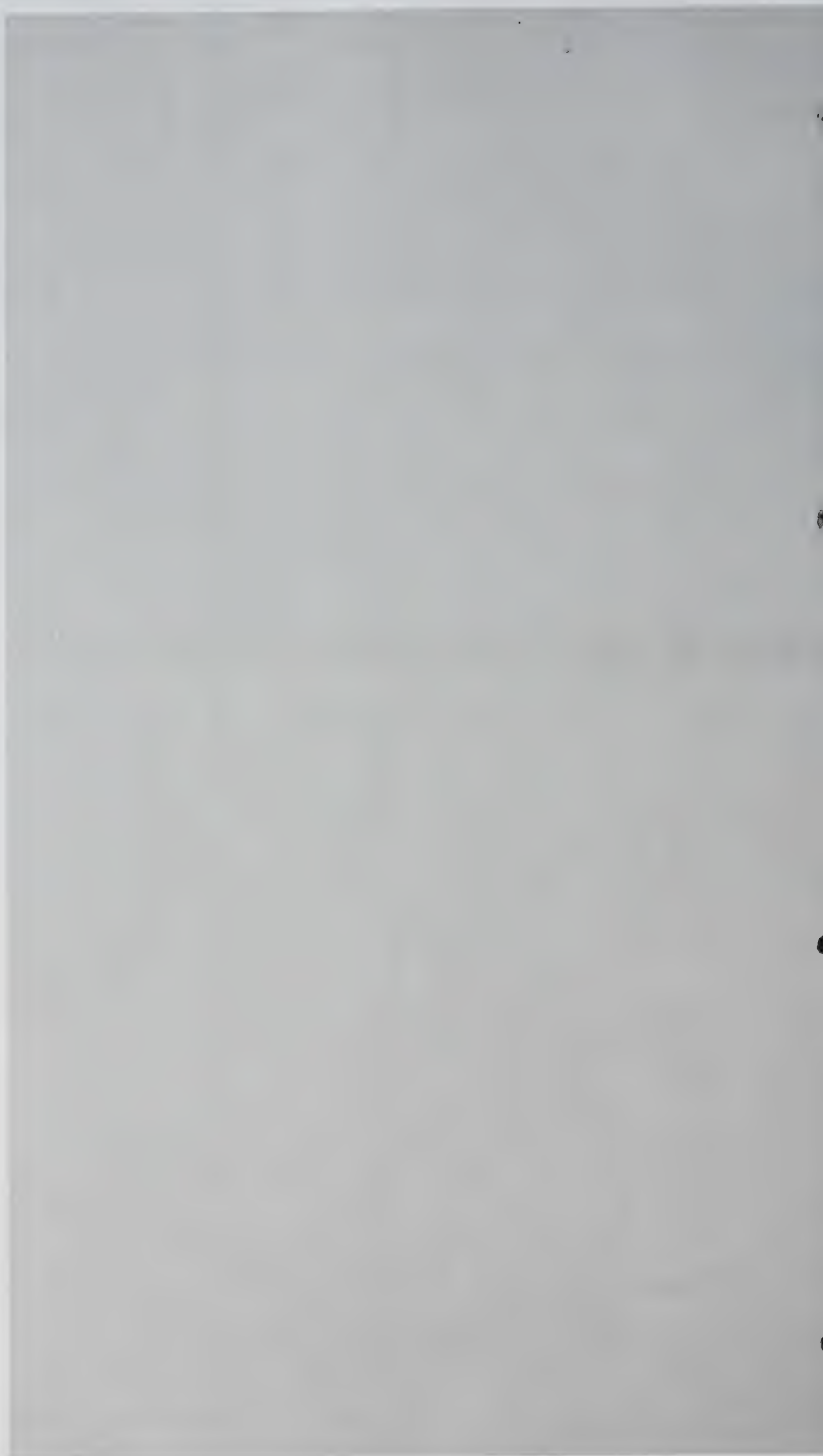


for the year 1923, that being the first year of the consolidation. If any information is required with respect to the reports of the intervening years, those reports will be available; Mr. Fairweather will furnish them.

Next there is an analysis of operating results for the month of December and calendar year 1930, followed by a similar analysis for the month of October, 1931. Lastly there is presented another somewhat technical document, which is the monthly budget of the Canadian National Railway System for October, 1931. That is presented in order to show the instrument which has been developed for the purpose of controlling, by months, the expenses of the Canadian National Railway System; I will refer to that a little later on.

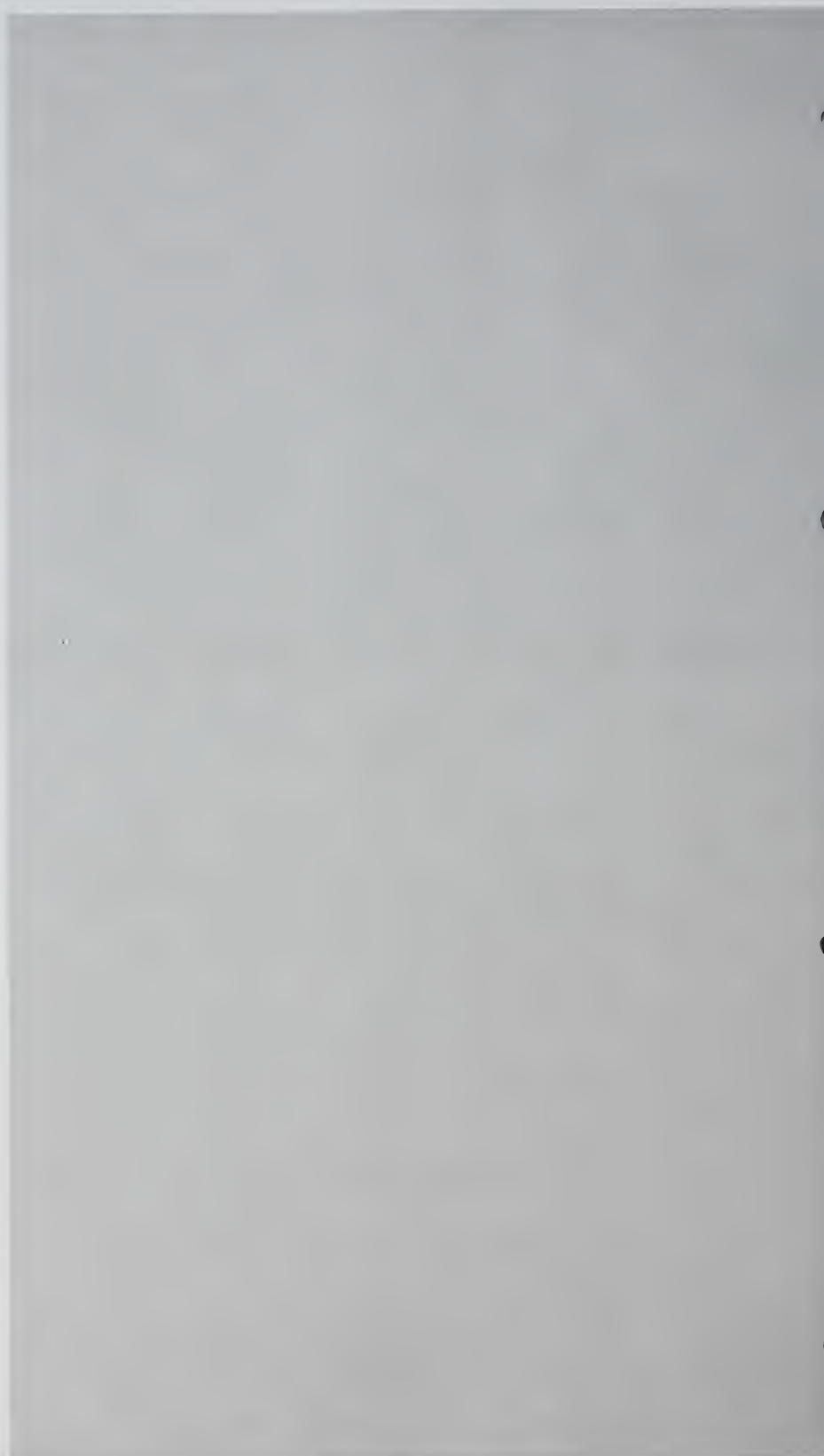
I wish to put in another pamphlet which has no bearing on the railway situation but which may be of general interest. It is entitled "Five Thousand Facts about Canada," and it gives a lot of general information which you might like to have. That, gentlemen, includes all the statistical information which is presented at this time.

As has already been pointed out, the subject which engages the attention of this Commission is one not only of major importance to the Dominion but also of great magnitude. In discussing it so far as the Canadian National Railway System is concerned I shall endeavour to avoid fatigue but at the same time to give you what might be described as some of the high spots. If in the course of my remarks there are questions which occur to any of the Commissioners I hope they will not hesitate to interrupt me, because it is much better to clear up any points at issue as we go along rather than run the risk of oversight.



The Minister gave you a very admirable and concise statement of the transportation history of Canada, and to that I have very little to add, except to point out two things: First, that the transportation construction in Canada was to a very measurable degree the child of Confederation. As soon as Canada became a confederated nation, the problem of communication between far-distant parts of the Dominion was present, and as a result of that the Canadian Pacific and the Intercolonial were constructed -- the Intercolonial for the purpose of connecting the Maritimes with Eastern Canada and the Provinces of Quebec and Ontario; the Canadian Pacific for the purpose of providing a transportation link between the Pacific Coast, the Prairie Provinces and Eastern Canada. Prior to the construction of the Canadian Pacific Railway, what communication there was had necessarily to be by way of the United States, that is, into the Dakotas and the northern range of states and from there on into Canada. It is worth while noting also that while western expansion in the United States proceeded uninterruptedly across the Mississippi Valley and to the Rocky Mountains, western development in Canada was stopped by the barrier of the peninsula of Michigan, the Great Lakes, and what was at that time considered the barren waste north of the Great Lakes -- northern Ontario, which, oddly enough, has become an important mining area. It was the intervention of these physical aspects which retarded to a large degree the sweep of civilization across Canada and was the cause of our lagging behind that which occurred in the United States.

When Confederation came about there was practically but one important railway system in Canada, namely the Grand



Trunk System, of English origin, which largely served Eastern Canada. That Company was offered an opportunity of providing a transportation link necessary to connect the East with the West; that opportunity they rejected and subsequently it was embraced by the promoters of the Canadian Pacific. I mention that because it had a certain repercussion later on, in that finally the Grand Trunk Railway System, awakening to the significance of its lost opportunity, tried to retrieve the situation by construction of the Grand Trunk Pacific. However, the outstanding fact is that the Grand Trunk distinctly missed the boat when the opportunity presented itself; had they taken advantage of it the system might well have become the Canadian Pacific System of Canada.

When this link between the western provinces and the Pacific coast to the east was constructed by the promoters of the Canadian Pacific Railway, they very naturally, and for what were perfectly sound reasons at the time, preempted the southern part of Canada, partly because that was the part of Canada which beckoned most alluringly to settlement and partly because at that time it offered the best opportunity for agricultural development, in that the northern part of Canada was at that time considered not only an inhospitable country from the climatic point of view but also to be unproductive of wheat. Now, Mackenzie and Mann in 1896 conceived the idea of building into the Canadian Northwest and through to the Pacific Coast and developing that part of Canada. The proposal was originally received with much doubt and considerable ridicule, and in a measure justifiably so, because at that time there was no wheat which it was thought could be successfully



grown in northwestern Canada. However, Dr. Saunders conceived the idea of an early ripening wheat particularly designed for production in northwestern Canada. He proceeded upon his quest and in 1908 was successful in introducing commercially what was known as Marquis wheat. I should say that it was Dr. Saunders who really built the railway lines that extended into the Northwest and who made the Northwest what it is.

LORD ASHFIELD: Who is this distinguished gentleman?

SIR HENRY THORNTON: Dr. Saunders was a biologist, was he not?

MR. FAIRWEATHER: Well, he was Dominion Agriculturist.

SIR JOSEPH FLAVELLE: May I answer that question?

SIR HENRY THORNTON: Yes, Sir Joseph, please.

SIR JOSEPH FLAVELLE: When the late Sir John Macdonald was returned to power in 1878 after five years in opposition he left out of his cabinet an old colleague, John Carling, a brewer of London, Ontario. John Carling came to him and said: "Sir John, you cannot let an old friend go." Sir John gave him the cabinet position which presumably was the least important -- Agriculture.

LORD ASHFIELD: It was the first instance of a Minister of Agriculture?

SIR JOSEPH FLAVELLE: I do not know as to that, but at any rate Sir John thought he would give to his old friend John Carling this position. In the city of London, Ontario, there was an apothecary, as you would call them at home, druggist as we call them here, who had a great

flair for growing things. John Carling called on him and said: "Dr. Saunders, I am called to be Minister of Agriculture. I don't know a thing about it. You know a lot; I want you to come to Ottawa." And so this thoughtful, capable chemist came to Ottawa with his family, and out of that incident came all the experimental farms and the experimental work that was carried on under Dr. Saunders, the father of the Saunders who discovered the Marquis wheat. This boy, having some of the father's flair for growing things, gave his attention to the cross-breeding of wheats until he produced this wheat called the Marquis, from the old Red Fyfe, which was developed in the township of Otonabee, adjoining the town in which I was born in this province, and the original stock of which had come from Scotland. So it was that this boy Saunders, afterwards Dr. Saunders, produced the type of wheat which Sir Henry very properly says was one of the reasons for the building of the railways and the development of the West; and the whole thing arose out of John Carling being selected as Minister of Agriculture and his enlisting the services of this brilliant chemist from the city of London.

SIR HENRY THORNTON: It is an example of how great things often turn on accidents. At any rate the upshot of it all is that the Canadian Northwest and Canada as a whole owe a tremendous debt of gratitude to Dr. Saunders.

SIR JOSEPH FLAVELLE: He is now in very poor health.

SIR HENRY THORNTON: The moment Marquis wheat became a possibility commercially, the empire of the Northwest burst into bloom and the Mackenzie and Mann properties were off to a good start. The Grand Trunk Pacific, awakening to its lost opportunities, realized what an empire there was await-

ing conquest, and as the result of all of that, this impetus was given to the railway construction, some of which was wise and much of it unwise. All of that was explained to you by Dr. Manion, except that I did think it worth while to pay a tribute to Dr. Saunders and mention the significance of his discovery in the development of the Northwest.

It is of course characteristic of every new country to view with an optimism born of courage rather than intelligence its potentialities, and in that respect Canada was no exception and measurably followed in the footsteps of what took place west of the Mississippi River in the United States subsequent to the Civil War. A large impetus was given to railway construction, and again as Dr. Manion explained to you, as a result of the war the two principal western companies outside of the Canadian Pacific, namely the Grand Trunk Pacific and the Canadian Northern, found themselves in financial difficulties, and the Government took over that burden rather than allow those properties to go into receivership with the consequent adverse effect upon the credit of Canada. Incidentally it is worth while remembering that in the United States following the Civil War, if compound interest is to be included, there was an attrition to capital through railway construction of 3 billions 250 millions, and a stepping down of security amounting to one billion, 142 millions.

SIR JOSEPH FLAVELLE: Under receiverships?

SIR HENRY THORNTON: In various receiverships -- bonds being reduced to preferred stock, preferred stock to common stock, and so on; the actual loss in capital, if

compound interest be included, was 3 billions, 250 millions. Of course I am referring to the area west of the Mississippi River -- western development in both Canada and the United States. The point I want to make is that in every new country there is always a precarious situation confronting railway construction for the purpose of exciting settlement and development. Railway construction must be provided if a new country is to develop and progress; the only essential thing is to keep that construction within reasonable bounds, which are governed by economic principles and the application of intelligence. Unfortunately this Commission has arrived about thirty years too late. For several years railway construction became prevalent, the country was bursting with courage and optimism and had such a Commission as this been appointed to decide what the transportation construction policy of the country would be, probably several millions of dollars would have been saved. True, we would have been denied your presence here to-day and perhaps we are paying a cheap price.

In the autumn of 1922, and commencing its corporate history as one unified organization on January 1, 1923, there were consolidated the Canadian Northern, the Intercolonial, the Transcontinental Railway and the Grand Trunk Railway System under one management, and at that time I took charge of the properties as Chairman of the Board and President of the Company. It is not perhaps inappropriate that I should indicate to you the difficulty of the problem which confronted those who were charged with the responsibility of organizing these properties. We had a railway system right from the Atlantic to the Pacific consisting of about 22,000 miles of line, serving a number of different

provinces -- differing in race, in religion, in sectional aspirations, in climatic conditions, in all kinds of production. We had a telegraph company with 100,000 miles of wire, and an express company, all of which were serving a rapidly growing, optimistic and progressive territory.

LORD ASHFIELD: Were they separate companies?

SIR HENRY THORNTON: No, they are maintained as separate corporate companies but they are to all intents and purposes under the same administration. They have the same Board of Directors and the same President but different technical and administrative officers. They are, however, integral parts of the Canadian National Railway System.

SIR JOSEPH FLAVELLE: I think the question was whether they were originally an amalgamation of small companies.

LORD ASHFIELD: Yes.

SIR HENRY THORNTON: Oh, they were, yes. The railway properties which now represent the Canadian National acquired these various telegraph companies and miles of wire as they went along, and they finally fell into the whole lap of the consolidated Canadian National System.

LORD ASHFIELD: And regarded as part of the railway system?

SIR HENRY THORNTON: Yes.

LORD ASHFIELD: And needed as part of the system?

SIR HENRY THORNTON: Oh yes, needed, and one might say, desired.

LORD ASHFIELD: Is that your view, that they are needed as part of the system?

SIR HENRY THORNTON: You must provide telegraph facilities, and they are conducted with reasonable profit,

just as the Canadian Pacific has its own express company and its own telegraph company. I have no doubt that that originally gave the idea to those who built our western lines that they could preempt for themselves the telegraph business and express business on their own lines.

LORD ASHFIELD: But originally they were telegraph companies? -- I am referring only to the telegraphs at the moment.

SIR HENRY THORNTON: No; when much of our western mileage was constructed the promoters of that mileage established telegraph companies at the same time and the telegraph construction went hand in hand with the construction of the railways.

SIR JOSEPH FLAVELLE: We have, however, one of the children of the Western Union.

SIR HENRY THORNTON: I was just going to mention that.

SIR JOSEPH FLAVELLE: Which was incorporated as a private telegraph line.

SIR HENRY THORNTON: We bought part of the Western Union mileage, and within the last few years we have acquired the Western Union telegraph interests in the Maritimes; so that as it stands to-day all of the telegraph facilities on the lines of the Canadian National Railway are owned by that Company through the subsidiary known as the Canadian National Telegraphs.

LORD ASHFIELD: Is the telegraph service of the Canadian National looked upon as a service competing with the telegraph service of the Canadian Pacific?

SIR HENRY THORNTON: Oh yes, just as the two railways compete.

LORD ASHFIELD: There will be an overlapping service there as well as in transportation?

SIR HENRY THORNTON: Yes, there will be overlapping wherever we come into competition.

LORD ASHFIELD: You seek business against the Canadian Pacific?

SIR HENRY THORNTON: Yes, and vice versa -- they seek business against us.

LORD ASHFIELD: Of course I was not putting it in any offensive sense.

SIR HENRY THORNTON: I understand.

LORD ASHFIELD: You have duplication there as well as in transportation.

SIR HENRY THORNTON: Yes, and the same applies to the express company.

THE CHAIRMAN: Telegraph, express and railway?

SIR HENRY THORNTON: Yes. Well, I was explaining the problem which confronted us --

LORD ASHFIELD: Have you a record showing the amount of money that is invested in the telegraph system?

SIR HENRY THORNTON: Oh yes. I doubt if you could ask any question which subsequently cannot be answered by those who will be with you on the train. All that information at any time can be given.

There was the problem -- to organize a railway system embracing the physical facilities which I have described, employing one hundred thousand men and serving a country as varied and as widely flung as Canada; and that was a problem which had to be solved in sixty days time. The effort which was made to solve the problem finds expression in the Canadian National System as you

have it to-day.

In considering the problem of the Canadian National there is this important point which was alluded to by Dr. Manion in his very admirable speech: The Canadian Pacific Railway, and it is much to their credit that it happened so, was built as one integral railway system from the Atlantic to the Pacific, proceeding year by year with laterals and branch lines, each having some regard to the property as a whole, each supporting and assisting the whole. The lines representing the Canadian National Railway were practically flung at the present administration in one heap, and our problem was to coordinate, sort out and provide efficient organization for a number of railways which had been built for the purpose of competing one with the other, and having no relationship one to the other. To the lay mind that may not appear much of a problem, but to the technical railway officer it represents a very serious problem and a very difficult one to solve.

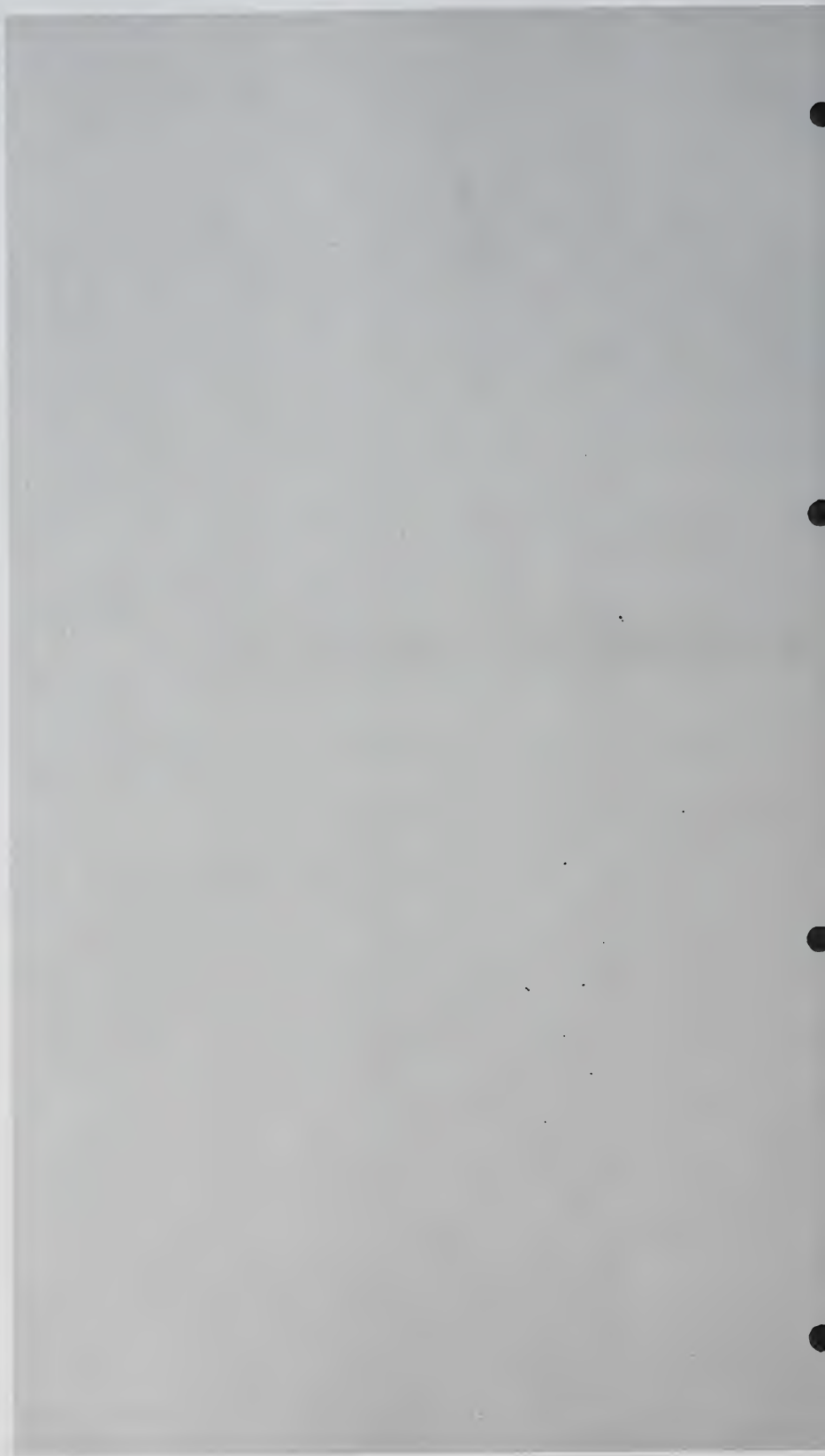
Well, the fact remains that the Canadian National Railway System, commencing on January 1, 1923, became a unified system, with such organization as it could bring into being, and with active competition with the Canadian Pacific. Since that time we have been in active competition with that company and they with us.

LORD ASHFIELD: Is there any other competition?

SIR HENRY THORNTON: There is water, and the highways.

LORD ASHFIELD: But no railway?

SIR HENRY THORNTON: Well, there is what is known as the Timiskaming and Northern Ontario Railway, owned by



owned by the province of Ontario, extending from Toronto northwards now to James Bay. But with much respect for that property I do not think it could be considered as a competitor of the two larger systems in the sense that it is only a local system. Practically speaking you can say that to all intents and purposes there are only two railway systems in Canada, the Canadian Pacific and the Canadian National.

LORD ASHFIELD: Do you know how much has been invested in this particular third system?

SIR HENRY THORNTON: We could give you that; I do not happen to recall it at the moment but the information is easily obtainable.

LORD ASHFIELD: Is it substantial?

SIR HENRY THORNTON: I should think it was. I will ask Mr. Gzowski to indicate on the wall map the course of the T. and N. O. Railway.

MR. GZOWSKI: From Toronto to North Bay you will notice the Grand Trunk railway and also the Canadian Pacific. It is from that point, North Bay, that the T. and N. O., the Ontario Government railway, proceeds in a general northerly direction and now leads into James Bay.

LORD ASHFIELD: Have the provinces the right themselves to build railways?

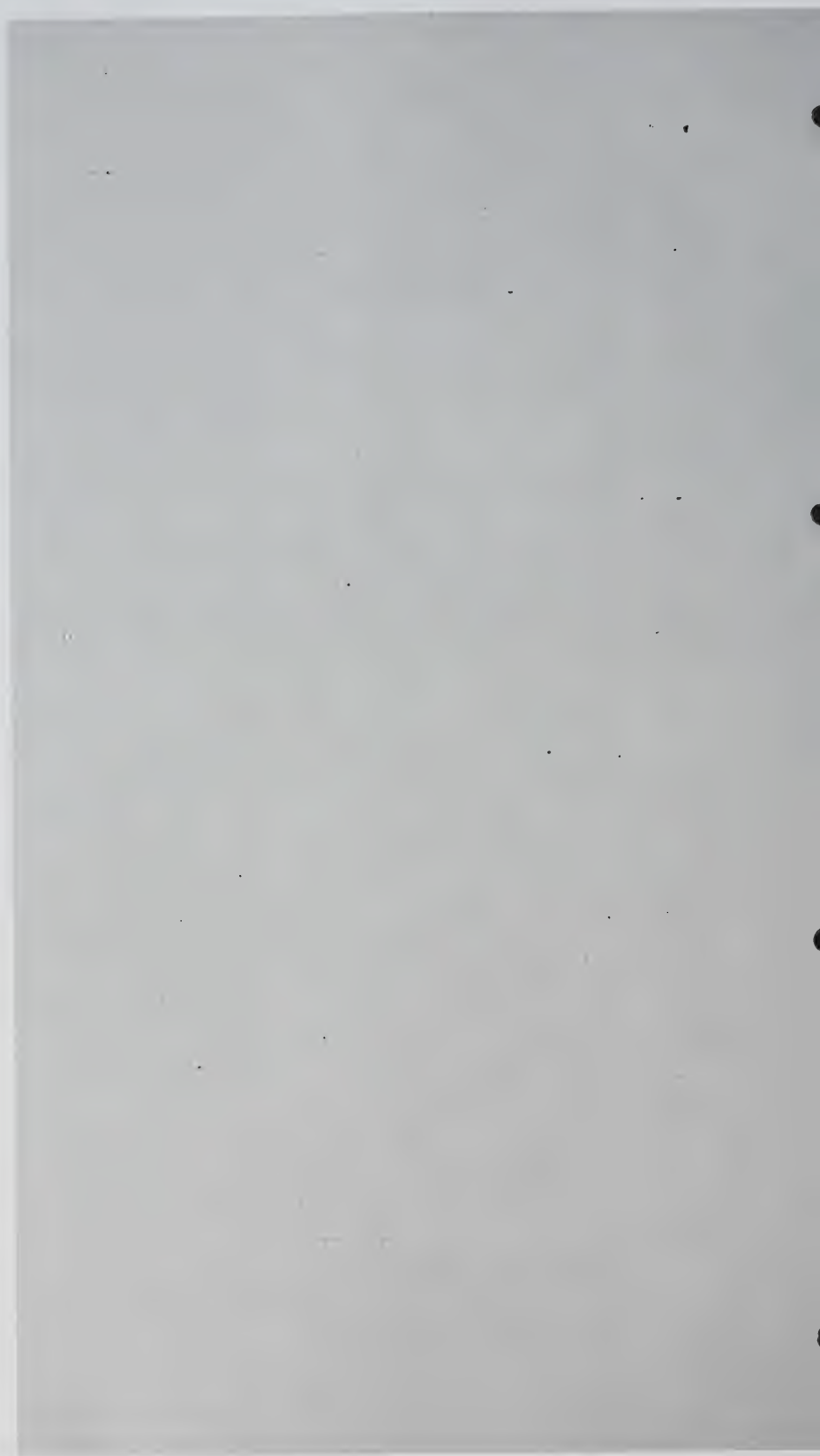
SIR HENRY THORNTON: Yes.

LORD ASHFIELD: To raise money and to build railways?

SIR HENRY THORNTON: Yes.

LORD ASHFIELD: Within their own borders?

SIR HENRY THORNTON: Yes.



LORD ASHFIELD: As long as they are not inter-provincial, they can do that?

SIR HENRY THORNTON: That is right.

LORD ASHFIELD: And the Canadian Government has no right to interfere?

SIR HENRY THORNTON: Not within each province. The rights of the province are restricted to the boundaries of that province and may not be interfered with.

LORD ASHFIELD: Within that province they can build?

SIR HENRY THORNTON: Yes.

LORD ASHFIELD: Couldn't two adjacent provinces build railways and then run a through service?

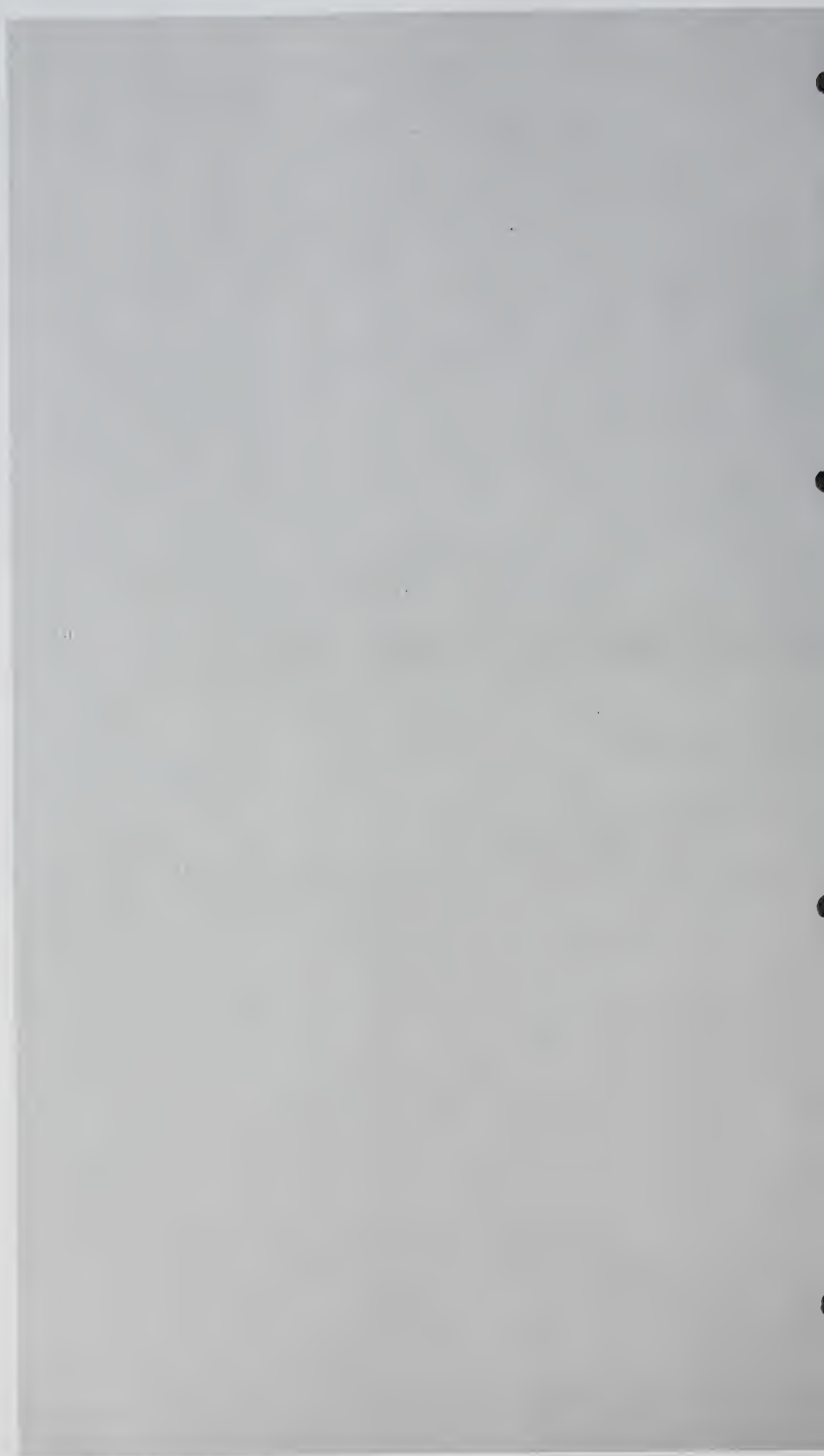
MR. FAIRWEATHER: That is a legal point, sir.

SIR HENRY THORNTON: That is a legal point; I do not know. The Chairman can answer that better than I.

THE CHAIRMAN: That would be beyond the power of the province; it would not be practicable. Railways connecting two provinces, or railways extending beyond the bounds of a province, are exclusively within the jurisdiction of the Parliament of Canada. An attempt to produce a system by joining two provincial railways in the way you suggest would be bound to fail, because in the practical operation of it, it would impinge upon the exclusive federal authority. I do not think it has ever been tried.

SIR HENRY THORNTON: No, as a matter of fact it never has been tried.

COMMISSIONER LEMAN: What about the extension of the Timiskaming and Northern Ontario into the province of Quebec?



MR. GZOWSKI: With regard to this railway the route of which I pointed out on the map, running generally north from North Bay, the line was built at the expense of the Ontario Government across the border between Ontario and Quebec and into the province of Quebec at Noranda, so that there is a small piece of railroad in the province of Quebec owned by the Ontario Government.

THE CHAIRMAN: They must have had authority --

MR. GZOWSKI: I think it was done by mutual consent, sir.

SIR HENRY THORNTON: That is the only exception.

THE CHAIRMAN: It must have been treated as a proprietary matter between the Governments of Ontario and Quebec.

SIR HENRY THORNTON: As a matter of fact the Chairman is quite right.

THE CHAIRMAN: I fancy they must have had a Dominion charter.

SIR HENRY THORNTON: I do not know how it was done; that is a legal question. But to all intents and purposes it has never been tried except in this negligible case. I doubt very much whether it would be practicable even to-day.

LORD ASHFIELD: My point was this: you have two adjacent provinces, each building its own railway system. Can the provinces, having built the two lines, then connect them at the border? Is it possible for them, by arrangement, to project the rolling stock of one province into another?

THE CHAIRMAN: They cannot effectively do that under the constitution; they would require a federal

charter.

LORD ASHFIELD: All this Commission is considering is the possible effect upon the existing systems of the exercise of the powers of any province in connection with the construction or operation of railways within that province.

SIR HENRY THORNTON: I should think that would be a very minor consideration, because, as the Chairman said, it has not been done except in one very negligible case.

THE CHAIRMAN: In point of fact there are very few provincial railways left.

SIR HENRY THORNTON: Very few.

THE CHAIRMAN: There were at one time in British Columbia some provincial railways, publicly owned.

SIR HENRY THORNTON: There is the Pacific Great Eastern in British Columbia.

THE CHAIRMAN: In point of law the province has jurisdiction to authorize the construction and operation of lines within the limits of the province. If those lines connect with other through lines a situation is brought about in which they necessarily become federal in character. Such instances, however, are rare; one has not heard of any for years.

SIR HENRY THORNTON: There is no provincial railway construction to-day.

COMMISSIONER LEMAN: Wasn't the Pacific terminus of the Canadian Northern built under a charter from the province of British Columbia?

SIR HENRY THORNTON: Yes, that is true, but it was afterwards declared to be a work for the general advantage of Canada.

COMMISSIONER LEMAN: But they foresaw some difficulty in obtaining Dominion authority at that time and took provincial authority to go ahead and construct the Pacific terminus.

SIR HENRY THORNTON: That is true. The reason they did that, of course, was for the purpose of getting subsidies and a guarantee of bonds from the Province of British Columbia. The problem, I might say, is more academic than actual.

I was endeavouring to explain some of the problems that confronted this Railway at the time of its amalgamation. Briefly, I might continue by saying that we were confronted with 97 miles of wooden trestle bridges, particularly in the West, all of which had been built at about the same time and all likely to require renewal at the same time. There were 4,500 miles of rails that were much too light for the traffic. There were 2,300 miles of line that were either not ballasted at all or inadequately ballasted. There were 37,962 wooden box cars which had become obsolete; by December, 1930, that number had been reduced to 4,716. There were 26,888 wooden freight cars with metal draft arm equipment, and that had been increased to practically 40,000; and there were 632 locomotives which had become obsolete or inefficient and had to be scrapped. I merely mention that because it has considerable repercussion on our capital situation -- the capital which it was necessary to spend in order to make the railway an effective transportation instrument.

SIR JOSEPH FLAVELLE: May I ask you, Sir Henry, whether the book value of these obsolete cars and locomotives was removed from the asset side of the balance

sheet?

SIR HENRY THORNTON: Yes, that was done.

SIR JOSEPH FLAVELLE: What was done with that charge? Was it charged into operating or into capital?

SIR HENRY THORNTON: It was charged into operating expense account.

LORD ASHFIELD: Over a period of years?

SIR HENRY THORNTON: I am speaking now of the period from January 1, 1923, to December 31 of last year. There was also a very considerable inefficiency of stone ballast, automatic signals and all of those things which go to make up a modern railway.

I would like to give you some conception of the complicated financial structure of the Canadian National Railways, which adds very considerably to the intricacy of its accounts and consequently to the expense of its accounting and financial departments. We have on our railway 251 different bonds and mortgages, with different rates of interest, expiring at different periods, with all sorts of different clauses in them. One may be a first lien on the railway for two or three hundred miles; then we come to a second lien, and then there will be another sort of mortgage; so that the financial structure so far as bonds and mortgages are concerned is completely baffling. There are 80 different issues of securities in the hands of the public. There are 139 companies whose corporate existence must be maintained. We have to prepare 42 different income accounts and 90 different balance sheets. As time goes on, as in the case of every large railway system, year by year a certain number of these corporations are closed out and disappear; but that is what we had to start off with. We

have got rid of a certain number of them now, but this will give you some idea of the complicated character of the financial structure.

From January 1, 1923, to December 31, 1930, there has been added to the capital of the country for expenditures directly connected with the railway, \$385,000,000 -- I am giving the round figures. In addition to that, an amount of something like \$42,000,000 has been added on account of the acquisition of other properties, such as our interest in the Northern Alberta Railways, which we bought jointly with the Canadian Pacific, and the Toronto terminals, which we own jointly with the Canadian Pacific. But in so far as the Canadian National Railway System is concerned, the capital added on account of the railway itself and directly connected with that line is represented by the sum of \$385,000,000.

In 1922 the gross revenue of the Canadian National Railway System was \$235,700,000. The expenses were \$232,000,000, and the net revenue from railway operation was \$3,620,000. In 1930 the operating revenues were \$243,000,000, or roughly about \$7,600,000 more than in 1922. The operating expenses were \$222,500,000, or \$9,600,000 less than in 1922. The net as a result of this in 1930 was \$20,600,000 as against \$3,600,000 in 1922, the difference being, in round figures, \$17,300,000. But if an adjustment is made for increased wages, prices, reduced freight rates, and also for the effect of the law of increasing returns on efficiency, then the comparable net revenue becomes in 1930, in round figures, \$25,000,000 as compared with \$3,600,000 in 1922. That means that the capital which was added to the company must have contributed very largely

to its efficiency, because it was fundamentally the same property; it served the same territory; it was officered by substantially the same officers. Whence came the difference? The only explanation is that the capital which was added and which represented the essential facilities contributed very materially to the increased earning power of the railway.

SIR JOSEPH FLAVELLE: According to your figures, Sir Henry, the increased capital expenditure to which you referred, \$385,000,000, would represent a carrying charge of \$19,000,000 --

SIR HENRY THORNTON: \$25,000,000.

SIR JOSEPH FLAVELLE: No -- the increased carrying charge.

SIR HENRY THORNTON: Yes.

SIR JOSEPH FLAVELLE: You have an increased annual charge by reason of the increased capital expenditure amounting to about \$19,000,000?

SIR HENRY THORNTON: Yes, that is about right.

LORD ASHFIELD: You refer to a net figure; what do you mean by a net figure?

SIR HENRY THORNTON: I said, the net revenue from railway operation, meaning by that the difference between the gross revenue and expenses.

LORD ASHFIELD: You are referring to running expenses only?

SIR HENRY THORNTON: I mean the difference between operating revenues and operating expenses.

LORD ASHFIELD: No interest charges?

SIR HENRY THORNTON: No, not including interest charges.

LORD ASHFIELD: That is Sir Joseph's point, is it not -- that you would have to make provision for \$19,000,000 out of that \$25,000,000 --

SIR HENRY THORNTON: Of course I am simply indicating the fact that the machine from January 1, 1923, to January 1, 1931, became progressively efficient, and also going back and recalling the fact that there were these wooden trestle bridges, obsolete equipment, obsolete locomotives and all that kind of thing that had to be cared for. If there are any questions you would like to ask as to details--

SIR JOSEPH FLAVELLE: I presume, Sir Henry, it would be fair to suggest that the getting rid of these obsolete cars and locomotives involved not only an increase in the carrying charges but also a further burden represented by the rather heavy deficits that occurred before the property began to benefit from the investment in new equipment.

SIR HENRY THORNTON: I suppose they commenced as efficient machines and then gradually deteriorated until they got to the point of obsolescence. At that time they had to be renewed.

SIR JOSEPH FLAVELLE: Now I mean that besides the \$19,000,000 of increased charges there were substantial deficits that accumulated during the years that the road was gaining way in the improved condition.

SIR HENRY THORNTON: Very much so.

SIR JOSEPH FLAVELLE: How did you deal with those deficits in your figures -- how did you get the money for them?

SIR HENRY THORNTON: That was provided by the

Government.

SIR JOSEPH FLAVELLE: That was borrowed from the Government?

SIR HENRY THORNTON: Yes.

SIR JOSEPH FLAVELLE: And those deficits amounted to what?

MR. FAIRWEATHER: \$575,000,000, as shown in the profit and loss account.

THE CHAIRMAN: Is that during the period you are speaking of?

SIR HENRY THORNTON: No, the figure Mr. Fairweather has just given represents a total accumulation from the time the Government took over these properties separately.

SIR JOSEPH FLAVELLE: From the time they came under Sir Henry's administration, how much was the increase in the deficit?

MR. FAIRWEATHER: That is shown, sir, in the information supplied, but it would take a little time to sort out the figures. We will do that a little later on.

SIR JOSEPH FLAVELLE: All right.

SIR HENRY THORNTON: I think it would be interesting to the Commission at this point in my remarks to give some figures with respect to the highway and motor vehicle transport bill in 1929. In that year the people of Canada paid out for motor vehicle transportation in this country \$900,000,000.

SIR JOSEPH FLAVELLE: Does that include the ordinary passenger automobile?

SIR HENRY THORNTON: I will give the details;

Interest on investment in highways	\$ 39,000,000
Depreciation on highways	15,600,000
Maintenance of highways	70,000,000
Interest on investment in motor vehicles	35,400,000
Depreciation on motor vehicles ...	141,800,000
Maintenance of motor vehicles	138,400,000
Operation of motor vehicles	<u>459,800,000</u>
Total	\$ 900,000,000

That represents what the people of Canada are spending per annum on highway traffic, which of course comes directly in competition with the railways.

THE CHAIRMAN: Before you proceed with that, Sir Henry, there is a statement somewhere, I suppose, showing the items of capital expenditure of which that total of \$385,000,000 is made up?

SIR HENRY THORNTON: Oh yes, that is complete.

The approximate total investment in highways as of January 1, 1931, was \$869,000,000, of which over \$300,000,000 has been spent since 1922. Those figures, I think, are significant in considering the relationship between highway traffic and railway traffic.

COMMISSIONER LOREE: The last investigation that we have been able to make in the United States indicates that the railway companies lose about 32 per cent on the passenger business, of which 23 per cent goes to privately owned motor cars and about 3 per cent to the motor bus operators. Have you any figures on that?

SIR HENRY THORNTON: Curiously enough, that corresponds closely to our figures.

COMMISSIONER LOREE: We have no record of any



motor bus company declaring a dividend. I was wondering whether they operated at a profit in Canada.

SIR HENRY THORNTON: I should think the experience would be the same in both countries.

COMMISSIONER LOREE: Our feeling is that the motor bus competition will probably largely disappear in another four or five years.

SIR HENRY THORNTON: I do not know whether that will happen or not, Mr. Loree. Unquestionably some of these commercial highway companies are getting into a precarious financial position. But the difficulty is that they are much like mushrooms; one disappears only to have another spring up in its place. They are to a large extent irresponsible; they are unregulated, and they come and go pretty much as they like.

COMMISSIONER LOREE: If I might conclude that, apparently about 86 per cent of the motor trucks in the States are privately owned, about 8 per cent are contract carriers and about 6 per cent only are common carriers.

SIR HENRY THORNTON: Yes, that about corresponds with our figures.

SIR JOSEPH FLAVELLE: What is the distinction between contract and common carriers?

COMMISSIONER LOREE: John Jones may own a motor truck and may contract with a corporation to do his trucking -- that is a private transaction; whereas the Smith Trucking Company might hold itself out as a common carrier.

SIR JOSEPH FLAVELLE: Oh yes.

SIR HENRY THORNTON: Commencing in 1922 and proceeding until the autumn of 1929 the net earnings of both

railway companies, with the exception of one setback, showed progressive increases, and in 1928, in so far as net operating revenue was concerned, the Canadian National Railway was the fourth largest railway earner on the North American continent. I employ the figures of net revenue from railway operation because a large amount of our capital structure was the result of circumstances beyond the control of the Government, beyond the control of the railway administration; they were simply inherited problems, and of necessity progressive efficiency has to be examined from the point of view of revenue from operation rather than from the point of view of net income. That is to say, we had handed over to us certain liabilities which were not to be laid at the door of the Government or of ourselves but were rather the result of activities of previous promoters. It therefore seems perfectly plain that since the consolidation of the Canadian National System in its present form, it and the Canadian Pacific proceeded in the habitual way of all railway companies in competition with each other: the country progressed rapidly in production and in traffic increases, and it was only until the depression appeared in the autumn of 1929 that what was thought to be a normal development of things prevailed. Since that time both railway companies have measurably suffered alike.

Now, probably you will ask yourselves: To what is the condition of the Canadian National Railway System due? It seems to me it is due, first, to the inherited mistakes, if one may call them such, of previous proprietors; secondly, to capital expenditures necessitated to meet public demands, to continue the development of the

country, to make up for deferred capital expenditures in years gone by,, and to create an efficient transportation machine; thirdly, the competition from subsidized water transport and the highways, and fourthly, the freight rate situation. All of these are of course augmented by the present state of depression through which we are passing, and the problem is largely one as to how long the depression is going to last. I think I should be safe in saying, as I intimated some little time ago, that the depression may be the reason which has provoked this investigation; but the investigation might just as well have been made years and years ago. The depression is a thing which simply aggravates an already existing condition. I merely mention that because so many people confuse the depression with conditions which really have fundamentally existed for a long time.

All the points I have mentioned are relatively simple of examination; but I particularly want to bring to your attention the freight rate situation. This is not only illuminating and interesting, but extremely important. Up until 1904 freight rates in Eastern Canada were increased in the winter time because of the absence of water competition and lowered in the summer time to meet that competition. The spread was roughly about 10 per cent. In 1904 the Board of Railway Commissioners, then shortly established, reduced the rates summer and winter to a basis somewhat below the summer scale previously existing, and thereby of course abolished the difference between winter and summer rates. When the Canadian west was developed the freight rate structure adopted was one without regard to water competition, obviously because there

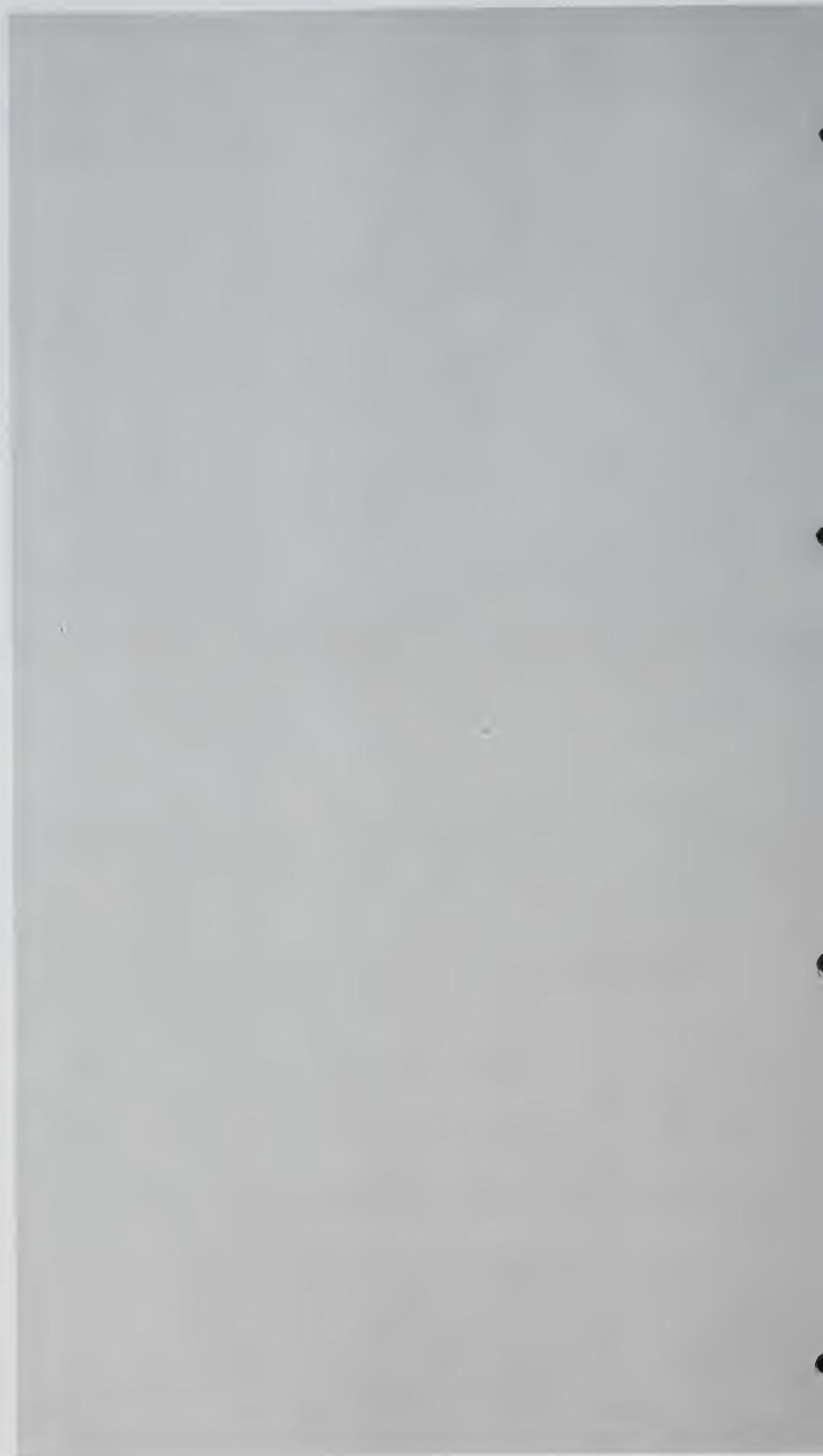


was no water competition, and there was therefore a decided differential between eastern and western Canadian freight rates. The Board of Railway Commissioners have on several occasions declared their intention to reduce this differential wherever possible, and have done so on numerous occasions. We have in western Canada what is known as the mountain rate scale. That is a higher rate for the movement of traffic between the prairie provinces and the Pacific coast, and is based on the theory that it costs more -- actually it does -- to move freight over the Rocky Mountains than to move it on low grades. The mountain scale was higher again than the western scale, and the Board has adopted the same attitude with respect to the mountain scale, namely that the differential should be removed wherever possible. Originally the mountain scale was approximately twice the western scale, and this has been successively reduced to one and a half times and one and a quarter times, where it now stands. ..

Now, cutting across the whole western freight rate structure is what is known as the Crow's Nest rate. In the early days of the construction of the Canadian Pacific, in return for certain substantial concessions, that railway agreed to certain fixed statutory rates on grain and grain products moving eastward and on certain specified commodities moving westward. For a time this statutory rate governed. Later on competitive conditions between the old Canadian Northern and the Canadian Pacific reduced the rate below the Crow's Nest basis and for a time it ceased to be a factor. Plainly put, what happened was that the Canadian Northern put the freight rate below the Crow's Nest rate and was taking traffic away from the Canadian Pacific.

That was of course at a time when the Canadian Northern was under Mackenzie and Mann. During the period when the costs due to the war were partly compensated for by increased rates the Crow's Nest rate was by governmental action temporarily abrogated. About 1923 the Crow's Nest rate basis was re-established for grain and grain products, and interpretations of the application of that principle extended the basis all over western Canada, although in its first instance it was limited to certain territories served by the Canadian Pacific; and still later the Board of Railway Commissioners granted the same rate basis to Vancouver, thereby disregarding the mountain scale as regards these commodities. Therefore it is evident that the freight rate structure in Canada carries with it the serious effect of water competition in the East and the Crow's Nest freight rates established in the west.

Now, this is a significant factor in connection with the freight rate situation, and illustrates what an important factor freight rates must of course be in the financial results accruing from any railway performance. If the grain and grain products rates in Canada, since January 1, 1923, and up to December 31, 1930, had been on the same basis as the freight rates in the United States applying to these commodities, the Canadian National within that period would have earned all the interest on its funded debt in the hands of the public and a surplus of \$20,000,000 besides. It is quite impossible to get something for nothing. In short, the Canadian National Railways, and to a measurable extent also the Canadian Pacific, have been subsidizing out of their earnings the shippers of grain and grain products of Canada.



We have been congratulating ourselves in Canada that we have admirable transportation services at the lowest freight rates of any civilized country. That may be something of which to be proud; but by the same token and in the next breath we expect our railways to continue performance at impossible remuneration as a result of that freight rate situation. In other words the plain fact is that it cannot be had both ways. There is no way in which economical freight rates can be provided and transportation companies expected to show a progressively improving financial position. Let me make it quite clear that this is not an argument in favour of higher freight rates; it is a simple statement of fact. It may be economically sound that this country should impose upon the railway companies unremunerative freight rates. Of course a large percentage of our agricultural production finds its source at long distances from the sea coast, their haul being something like an average of 1,500 to 2,000 miles as compared with the haul to tidewater in the Argentine of something like 300 miles. For that reason it may be economically sound that those freight rates should remain. But the point I am making is this: that I want that situation recognized, the burden put where it belongs, and the railways not expected to perform impossible feats. The public can have it in two ways as far as the Canadian National is concerned. They can have low freight rates, unremunerative operation and increased taxes, or they can have higher freight rates, remunerative operation and lower taxes. But it cannot be done both ways.

SIR JOSEPH PLAVELLE: Will you have, Sir Henry, if you please, in connection with that report a statement

of the freight rates that you refer to in the United States and the freight rates in Canada?

SIR HENRY THORNTON: Yes, Mr. Fairweather has a complete tabulation of that which he will hand the members of the Commission.

THE CHAIRMAN: Will you have in more or less detail a memorandum showing the compilation by which you reach that result?

SIR HENRY THORNTON: Yes.

COMMISSIONER LEHAN: What is the percentage of difference in freight rates as between the two countries?

SIR HENRY THORNTON: Freight rates in Canada are, I think, on the average about 20 per cent lower than the same freight rates immediately south in the United States -- is that right, Mr. Fairweather?

MR. FAIRWEATHER: It is even wider than that.

SIR HENRY THORNTON: What would it be, roughly?

MR. FAIRWEATHER: Roughly, sir, I should say that the Canadian freight rate in western Canada on grain and grain products does not average more than 50 per cent of the freight rate for corresponding distances in the United States.

SIR HENRY THORNTON: That is the answer to that.

SIR JOSEPH FLAVELLE: Is there any parallel to these rates anywhere else in the world?

MR. FAIRWEATHER: To the low rates, sir?

SIR JOSEPH FLAVELLE: Yes.

MR. FAIRWEATHER: No sir.

SIR JOSEPH FLAVELLE: These are the lowest rates?

MR. FAIRWEATHER: Absolutely.

SIR HENRY THORNTON: Canada has the lowest known

freight rates of any country in the world.

SIR JOSEPH FLAVELLE: What you say, Sir Henry, I take it, is that if the policy of the country is to make these rates low for the purpose of satisfying those who have to ship the grain, instead of being a charge against the railway it becomes a charge against the public exchequer?

SIR HENRY THORNTON: The money has to come from somewhere, or the railways become insolvent, that is all.

SIR JOSEPH FLAVELLE: If Parliament found the charge to operate in that way, the question for Parliament to decide would be whether the country could afford it rather than whether the railway could afford it?

SIR HENRY THORNTON: Precisely. Of course you always have to take into consideration the effect of the law of increasing returns. We know perfectly well that as the volume of traffic increases, often the rate may be lowered and still higher remuneration achieved, but all these are susceptible of economic calculation. Let me repeat: I do not want to be regarded as attacking the freight rate structure in Canada; I am simply putting before this Commission what I believe to be a very serious factor, a factor of the first magnitude, in the consideration of the transportation problem. I only wish that the understanding of it be clear and that the burden be placed where it belongs; in other words, that the railways feel they should not be asked to perform utterly impossible feats.

LORD ASHFIELD: I understand you to say, Sir Henry, that the wheat grower in Canada has a fifty per cent advantage over the wheat grower in the United States in respect of the price he charges for his wheat --



SIR HENRY THORNTON: No, in the matter of transportation charge.

LORD ASHFIELD: In other words, the Canadian Government is subsidizing the wheat grower to the extent of fifty per cent in respect of grain shipped from Canada to European ports as compared with the condition in the United States, based solely on transportation charges.

SIR HENRY THORNTON: That is true. It is a very interesting, indeed a startling fact. Of course I am only talking about the head of the lakes, because at the head of the lakes water transportation intervenes.

THE CHAIRMAN: I thought you qualified that by speaking of western rates.

SIR HENRY THORNTON: I am speaking of western rates.

THE CHAIRMAN: I think it might be useful, and perhaps Mr. Loree would find it interesting, if we could hear a little more about the Crow's Nest rate. Perhaps you can explain in a few words precisely what that means, and bring out clearly at the same time the territory to which it applies.

SIR HENRY THORNTON: Mr. Gzowski, will you point out on the map the territory to which the Crow's Nest rate applies?

MR. GZOWSKI: This is what Sir Henry refers to as the head of the lakes -- Fort William and Port Arthur. The comparable situation in the United States is Duluth. When the Crow's Nest Pass railway was built by the Canadian Pacific, in return for certain subsidies given by the Government the lower rates now known as the Crow's Nest rates were agreed upon, and they apply so far as grain is concerned from any point on the main line of the Canadian



Pacific through to the head of the lakes.

THE CHAIRMAN: Would you put it a little more categorically? The Canadian Pacific built what was known as the Crow's Nest line?

MR. GZOWSKI: Yes.

THE CHAIRMAN: They received subsidies in connection with the building of that line?

SIR HENRY THORNTON: Yes.

THE CHAIRMAN: And as a consideration for that subsidy they entered into an undertaking which was made statutory with respect to the rates. Just explain how the rates would operate in relation to shipments from certain points on the Canadian Pacific to Fort William and Port Arthur.

MR. GZOWSKI: This is the main line over which it was to apply.

THE CHAIRMAN: There was a fixed reduction in the existing rates?

SIR HENRY THORNTON: A fixed reduction.

THE CHAIRMAN: Of 10 per cent, was it not?

MR. FAIRWEATHER: I believe it was 10 per cent.

THE CHAIRMAN: A fixed reduction of 10 per cent in the existing rates on all shipments easterly from any points on the Canadian Pacific -- it extended westerly only to the Rockies, I think.

SIR HENRY THORNTON: That is all.

THE CHAIRMAN: And easterly to Fort William and Port Arthur.

SIR JOSEPH FLAVELLE: What was the extreme easterly point at which the Crow's Nest rates became applicable?

THE CHAIRMAN: Fort William and Port Arthur.

MR. GZOWSKI: Fort William.

SIR HENRY THORNTON: What was the westerly point?

MR. GZOWSKI: I think Calgary was the point named.

THE CHAIRMAN: Oh no; all points west of Fort William and Port Arthur.

SIR JOSEPH FLAVELLE: I think not, sir. It applied at first to a certain restricted area, but afterwards was made to carry all the way through.

SIR HENRY THORNTON: Sir Joseph is substantially correct. To answer the Chairman's question, from the head of the lakes westerly on the Canadian Pacific these Crow's Nest rates were applied in view of certain substantial concessions given by the Government to the Canadian Pacific. I am not criticising the bargain; it may have been a perfectly good one. I am merely giving you the transportation effect.

THE CHAIRMAN: That involved a fixed reduction of 10 per cent, and later on legislation was passed which made that rate applicable to shipments from all points east of the Rockies to Port Arthur and Fort William.

SIR HENRY THORNTON: That is shortly the story.

LORD ASHFIELD: The effect of this bargain was to put the grain growers in Canada on a parity with the grain growers in the United States?

SIR HENRY THORNTON: No -- oh no.

LORD ASHFIELD: What was the purpose of it?

SIR HENRY THORNTON: The object of the bargain was this: the Canadian Pacific Railway wanted certain concessions from the Government of Canada, and the Government of Canada exacted that reduction in freight rates in return for the concessions given. The American farmer or grain producer did not enter into it at all. It was purely a bit

of horse trading, no doubt justifiable, between the Canadian Pacific and the Government of the day.

LORD ASHFIELD: Then perhaps we may take it a stage further so as to get it clear. Let us assume that that was the bargain; it was a concession wrested from the Canadian Pacific for some consideration.

SIR HENRY THORNTON: I do not know that it was wrested; it was probably a mutually satisfactory bargain, agreed to by both sides: but Mr. Beatty will be much better able to explain that than I. I am merely giving you the effect of that situation and its repercussion on western freight rates, with respect to which we have of course a large interest.

THE CHAIRMAN: The Secretary reminds me that the concession was a subsidy of \$3,400,000 in connection with the building of the Crow's Nest Pass railway. There was this flat reduction of 10 per cent under the agreement then made, and subsequently there was legislation which brought all the rates throughout that whole territory on grain moving eastward to Fort William and Port Arthur on a parity with the Canadian Pacific.

SIR HENRY THORNTON: That is it.

LORD ASHFIELD: I gather from what has been said that if you compare the freight rates in effect on Canadian railways -- I am not distinguishing between the Canadian Pacific and the Canadian National -- with those in effect on the railways in the United States, you find that by virtue of the lower rates arising out of this bargain or agreement there is a burden put upon the Canadian railways which does not exist in respect of the railways of the United States?

SIR HENRY THORNTON: That is substantially a correct statement of the situation.

SIR JOSEPH FLAVELLE: When you say that the difference is 50 per cent, are you comparing American grain rates to Duluth with Canadian grain rates to Fort William?

MR. FAIRWEATHER: I should say in reply to that, Sir Joseph, that the comparison would apply to export grain no matter by what port it is exported. United States grain finds its way to the markets of the world through the port of Seattle or the ports of the Gulf of Mexico, or New York, and the freight rates to which I refer are the freight rates to those ports for comparable distances in the United States as compared with the freight rates in Canada, either to Vancouver, which is our Pacific port, or to the head of the lakes, corresponding to Duluth or Chicago in the case of the United States, from which point the grain moves down by water to the lower lake ports and then is carried competitively by the railways either to New York or Montreal. Is that clear, sir?

SIR JOSEPH FLAVELLE: Not wholly, Mr. Fairweather. While I know there is a substantial difference against the Canadian, I am disturbed a little by the statement that it is 50 per cent or anything approaching it.

MR. FAIRWEATHER: I can support that statement.

SIR HENRY THORNTON: That can be supported by actual figures, Sir Joseph.

SIR JOSEPH FLAVELLE: I think you have difficulty as to stopping any place short of the port of departure. What is the difference for the United States shipper who uses the Canadian waterway through to Montreal?

MR. FAIRWEATHER: Well, Sir Joseph, suppose a man

in the Dakotas ships grain for export to Duluth. The Canadian competitive farmer would ship his grain to Fort William. At that point the grain would be transshipped to a water carrier and would be moved down the lakes at purely competitive rates, fixed from day to day as competitive conditions might set; and the grain might move in several ways from that point. It might move all water to Montreal, in which case it would be transshipped at Port Colborne to get around Niagara Falls; or it might move by barge canal to New York -- an all water movement; or it might move to a Georgian Bay port, where it would be transshipped to a railway, either Canadian National or Canadian Pacific, and transported to Montreal; or it might move from Buffalo to either New York or Baltimore or Philadelphia. So once it reaches these concentration points at the head of the lakes the grain is on an equality; it can go anywhere, and the rates are the same no matter which way it may go. If the grain is under bonding arrangements between the two countries, Canadian grain can move through United States ports or United States grain can move through Canadian ports, and they are on an equality from that point. The differential lies in the freight rate west of the Great Lakes, and it is that differential to which we refer.

SIR JOSEPH FLAVELLE: I see.

COMMISSIONER LEMAN: Would you say that with respect to the rate on grain and grain products from the Dakotas to Duluth or from a point in Manitoba say from the boundary line between Saskatchewan and Manitoba to Fort William there would be a 50 per cent difference?

MR. FAIRWEATHER: The Canadian rate is approximately 50 per cent of the United States rate.

LORD ASHFIELD: Is it physically possible or practicable for the grain grower in the United States near the Canadian border to take advantage of this 50 per cent differential?

MR. FAIRWEATHER: It would be extremely difficult, because he would be up against the customs regulations.

SIR HENRY THORNTON: It has not worked that way, at any rate.

THE CHAIRMAN: There might be some difficulty.

COMMISSIONER LOREE: I judge that the Canadian Pacific and its competitors in this situation occupy quite different positions, the Canadian Pacific having received from the Government an income producing subsidy and the other roads not having received any such assistance.

MR. FAIRWEATHER: Yes.

COMMISSIONER LOREE: Does the revenue of the Canadian Pacific from its subsidy compensate it for more than compensate it for the reduction in the rates as compared with the Grand Trunk?

SIR HENRY THORNTON: I do not know, Mr. Loree, whether that question can be categorically answered or not. Could you make a stab at that, Mr. Fairweather?

MR. FAIRWEATHER: I might say this, sir: that the specific subsidy received for the Crow's Nest rate concession, viewed by itself, certainly was an excessively bad bargain; because it is quite obvious that the interest on \$3,000,000 would not compensate for such a drastic reduction in rate structure, which, although in its inception was confined to local territory, has since by the principle of removing discrimination been spread all over the map of western Canada. But if you view the

situation from a wider angle and regard all the subsidies which the Canadian Pacific Railway at any time received, I should say the answer to your question is decidedly yes; that they can well afford, in view of the subsidies which they have received, to stand a freight rate reduction which is fatal to a company which did not receive such substantial cash aid.

SIR HENRY THORNTON: I think it is only fair to Mr. Beatty to say that two competing railways cannot maintain different freight rate structures.

COMMISSIONER LOREE: Quite right.

SIR HENRY THORNTON: And the result is that the one railway must accept what happens to be the lowest rate. There is no escape from that.

SIR JOSEPH FLAVELLE: Have you ever attempted to estimate the subsidies to the Canadian Northern system, in cash, guarantees and land grants, as compared with the Canadian Pacific?

SIR HENRY THORNTON: If your Commission desire to go into that, we can give you complete statistics.

SIR JOSEPH FLAVELLE: You inherit whatever advantages or disadvantages there are?

SIR HENRY THORNTON: Certainly.

SIR JOSEPH FLAVELLE: With regard to the granting of subsidies to Canadian railways, is there any parallel for such assistance in the United States, or did they build their railways there without assistance?

COMMISSIONER LOREE: Almost all the transcontinental roads in the United States received subsidies in the form of land grants. They were given alternate sections

of land on either side of the road for a distance of ten miles, and the land grants carried with them a provision that the rates on the transportation of United States troops should be one-half the rate for ordinary passenger service, and that the rates on the shipment of goods should be substantially reduced. These railroads claim that in the reduced rates they have already paid back to the Government the entire subsidy received and that they are now repaying it every twenty-five years.

SIR JOSEPH FLAVELLE: If the rate structure in the United States even under these circumstances is such as to make the differential 50 per cent -- I would expect that would be lower when you go into the details -- then of course it is a matter of very great importance as to the earning power of the Canadian railways.

SIR HENRY THORNTON: Well, to elucidate one point, any statement that I have made or that Mr. Fairweather will make we are satisfied can be proved by figures.

SIR JOSEPH FLAVELLE: I am not questioning that.

SIR HENRY THORNTON: I do not mean that you are questioning it, but it is an amazing thing and it may be difficult for you just to take the bald fact. The statement, however, is based on actual figures.

SIR JOSEPH FLAVELLE: About what is the carrying charge per bushel from "Calgary say through to Fort William?

MR. FAIRWEATHER: I could not answer that offhand, sir.

MR. MALLORY: Twenty-six cents a hundred pounds -- 15 cents a bushel.

SIR JOSEPH FLAVELLE: Is that the highest rate

for the wheat growing sections?

MR. MALLORY: That is the maximum. That applies from Calgary and Edmonton east.

SIR JOSEPH FLAVELLE: And then you commence to ease it off as you come further east?

MR. MALLORY: Twenty-four from Saskatoon, and so on.

SIR JOSEPH FLAVELLE: That is a little over 15 cents a bushel, and for the same services our friends in the United States would pay 22½ cents a bushel.

MR. MALLORY: I have not the details of that.

THE CHAIRMAN: Are the mileages such as you can compare them with those on the American side?

MR. FAIRWEATHER: Oh yes, I would say they are.

(Page 80 follows)

COMMISSIONER LOREE: This question has been very much to the fore on the American side. I am not familiar with it except in a general way, but I recall the statement made in that respect. In the first place, the railways in the United States complain of the increased taxation. Since 1900 the capital charge for road and equipment has increased 148 percent, and the taxes 806 percent. That has been a very heavy burden to carry. The general claim of the railroads in the Northwestern States in proceedings before the Interstate Commerce Commission -- I do not know whether or not it is based on facts; I have no personal knowledge -- is that if their taxes were on a parity with the taxes in Canada and if they were receiving the benefits of the same subsidies as the Canadian Pacific Railway receive, they could afford to carry grain to Duluth for nothing. Of course, that may be an exaggerated statement.

SIR HENRY THORNTON: There is an answer to that, in fact several answers. One of them is that if we could get our fuel as cheaply as they do in the United States, we too would be in an advantageous position. All of these things can be answered. Just let me add this. No doubt you will want to go much further in the matter of this freight rate situation, and all these statistics will be available and any questions you may wish to ask can be answered. But please understand the thing on which I want to lay particular emphasis. I am not taking the economics of the freight rate situation. What I said before and repeat again almost to the point of nausea is that I am simply explaining a situation -- it may be necessarily an economic situation -- in order that this



Commission may have appreciation of it and that the burden may be properly allocated and explained.

SIR JOSEPH FLAVELLE: Your report as you have been reading it will be available for all the members of the Commission in order that they may refresh their memories on different points?

SIR HENRY THORNTON: I am giving my notes to Mr. Fairweather, and the reporters have been taking down what has been said.

Now, to sum up the whole situation, my diagnosis of the position is that it is due to depression, which has carried with it reduced revenues, and to a freight rate structure which in these times is bearing very heavily upon the railways. It is not unlikely that you may ask yourselves the question: what the railways themselves have done to meet their reduction in revenue. In that respect I can only speak for the Canadian National Railway and by way of example. This is the situation. We have reduced our passenger train mileage heavily; we have made large staff reductions; we have introduced short time provisions amongst our maintenance of way and shop men, and we have made a ten percent reduction in the salaries of all officers receiving \$4,000 and over. These economies with certain automatic economies which have come into being will have the effect of producing an economy at the rate of \$23,700,000 next year as compared with the year just passed. I merely mentioned that in order that you may understand that the railway itself has not been lethargic, but has recognized the situation and applied such remedies as were within its power to apply.

THE CHAIRMAN: Sir Henry, putting into effect those



economies what would be the net result?

SIR HENRY THORNTON: This campaign with respect to economy has been proceeding ever since the autumn of 1929, it has been progressively drastic and has now reached the point that the saving which will be effected next year will be represented by the figure of \$23,700,000 as compared with last year, on the presumption that traffic will be the same.

THE CHAIRMAN: Presuming that the traffic and the freight rates will be the same, these economies would leave you with a net operating profit of what?

SIR HENRY THORNTON: We would break about even this year.

That is our net this year, Mr. Mallory?

MR. MALLORY: \$8,000,000 - perhaps seven and three quarter millions.

SIR HENRY THORNTON: In the neighborhood of \$30,000,000.

THE CHAIRMAN: And your interest on the public securities is what?

SIR HENRY THORNTON: Roughly \$55,000,000. I merely mention that to give the Commission the assurance that the railway companies -- the Canadian Pacific, as Mr. Beatty will no doubt explain, has been doing exactly the same thing -- have been both putting forth efforts to reduce their operating expenses.

SIR JOSEPH FLAVELLE: Had the cooperative relationship between the two railways been the permanent policy, that is to say, if the needed service for the country had been arranged between the senior officers of the respective companies, would we have had a better story of loss on the

railway enterprise?

SIR HENRY THORNTON: Do you mean to say, Sir Joseph, that had there been a larger measure of cooperation in the past than has existed?

SIR JOSEPH FLAVELLE: Yes.

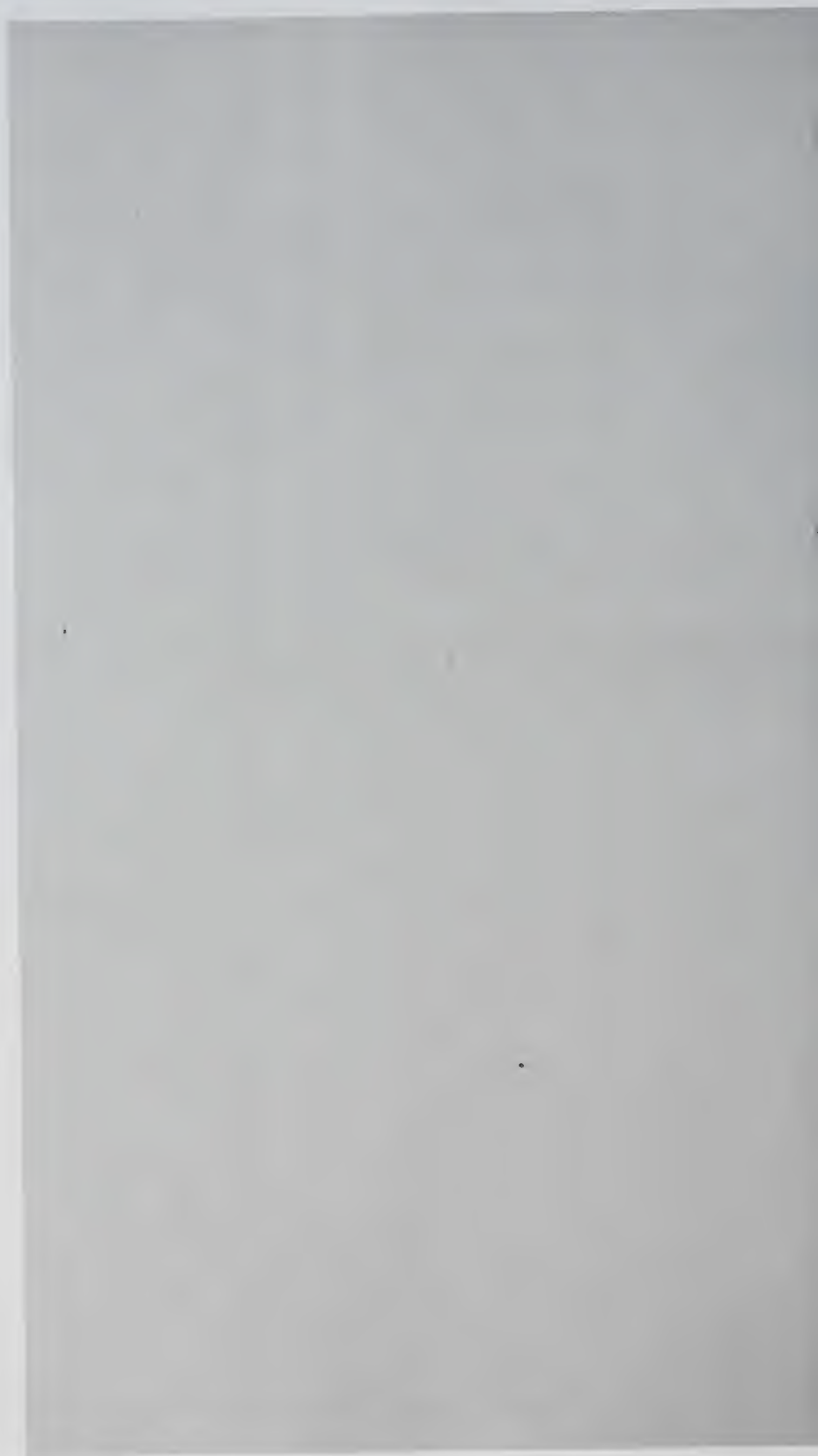
SIR HENRY THORNTON: Oh, unquestionably.

SIR JOSEPH FLAVELLE: These economies to some considerable extent have grown out of the anxiety of both presidents to remedy the situation.

SIR HENRY THORNTON: Both railway companies within the last year have been progressively cooperating with each other for the purpose of doing such things as would eliminate waste. One of the notable accomplishments has been a contract between the Canadian National and the Canadian Pacific which involves the recognition by the Canadian National of the Canadian Pacific steamship services on the north Atlantic as practically our exclusive connection, and that in turn will bring an increasing amount of traffic to those steamships which probably today are somewhat unremunerative, as to which Mr. Beatty can tell you. But at the same time as it stands today all the soliciting agencies of the Canadian National are soliciting freight for the Canadian Pacific steamships, whereas formerly that business went to other lines.

COMMISSIONER LEMAY: Does that apply to the Northern Pacific also?

SIR HENRY THORNTON: No, we have not introduced that on the Pacific for certain reasons which rendered it rather difficult, and both Mr. Beatty and myself thought it would be unwise to introduce that at this time on the northern Pacific. We felt that we had better let it stand



for the time being, but it is in contemplation.

COMMISSIONER LEWIS: The lines are competing there?

SIR HENRY THORNTON: Yes, but it is not as large a factor as it is on the north Atlantic.

SIR JOSEPH FLAVELLE: Coming exclusively to the railway side of it, would there be a permanent betterment if there was a cooperative effort between the two senior executives with respect to the cross continent train service? For instance, you have recently cut off certain train services between Toronto and Montreal as a matter of agreement between the competing lines because you were both losing money.

SIR HENRY THORNTON: Yes.

SIR JOSEPH FLAVELLE: If that spirit were present not only when times are hard but also when times are good, would it not be possible for the relations between competing lines to be such that in place of each vying with the other to spend more money to gain traffic they would reach an agreement with each other to divide traffic on some reasonable basis?

SIR HENRY THORNTON: In my judgment, yes, Sir Joseph, because waste should never be tolerated. Whether times be evil or good, there is never any excuse for waste. If waste can be avoided when times are bad it can be even more profitably done when times are good.

SIR JOSEPH FLAVELLE: Would it be an improper question for me to ask whether it has been the general policy during the last ten years?

SIR HENRY THORNTON: No.

SIR JOSEPH FLAVELLE: It has not?

SIR HENRY THORNTON: No. We have been in competition, and this present situation has awakened both companies, or

perhaps put to them more vividly the danger of what might be described as wasteful competition, supportable when times are good but insupportable when times are bad. In other words, "sweet are the uses of adversity."

COMMISSIONER WEBSTER: It is generally stated, whether rightly or wrongly I do not know, that in railways Canada is built ahead for perhaps forty or fifty years, that at present there is not enough business, passenger or freight, to be profitable to the railways. Now, Sir Henry, would you mind giving us your opinion as to whether you think, assuming those things to be true, it is possible for us to go on with two systems of railways, even with such cooperation as you have indicated you have been carrying out, and have both railways on a satisfactory basis, paying their way, their interest charges and other obligations?

SIR HENRY THORNTON: That, Doctor, is almost an impossible question to answer offhand. Unquestionably cooperation can proceed to a certain extent. Whether our railways are over-built to the extent of forty to forty-five years is debatable. Undoubtedly our railways -- and I am referring perhaps more particularly to some of the Canadian National lines -- are considerably in advance of the existing times; a measurable percentage of our mileage has been built too soon, and to that extent we are unquestionably overbuilt. How far cooperation is going to carry us we do not quite know because we are just commencing it. It depends on how drastic both railway companies would feel disposed to make their cooperation. My personal point of view, speaking academically, is that cooperation should be carried just as far as it is economical to carry it, and that means a good long way.

COMMISSIONER LORER: In the United States we have about 353,000 miles of railroad. About half of the ton mileage is handled on 26,000 miles, say ten percent of the total; less than 2% of the ton mileage is handled on 73,000 miles, say about 30%; thus leaving to the intermediate carriage about 60% of the total mileage. The general feeling is that the entire mileage of 73,000 is put on the defensive, and that so far as the economic right to exist is concerned, there ought to be an inquiry made as to whether many of the lines ought not to be abandoned. Has such an estimate been made in Canada?

SIR HENRY THORNTON: Not within my knowledge. Of course, there is this difference today between the character of the mileage to which you refer and that of the mileage of Canada, in that a large percentage of our mileage, more particularly the Canadian National mileage, is development mileage; it was built for the purposes of developing the country, and settlement has not yet caught up with railway mileage. The problem is, how soon will it catch up, if at all. For example, take the Peace River country, with respect to which there is still great opportunity for settlement, and large numbers of settlers are entering that territory. These railways today are not remunerative, but it is very questionable whether in advance of further expansion in the matter of development it would be wise to abandon those lines. The United States has been through a much further period of development than has Canada. Our western country is still relatively undeveloped and relatively sparsely populated as compared with the United States. So my answer to that question is, within my knowledge no such investigation has been made, but if made some regard

will have to be had to the points I have mentioned.

COMMISSIONER LOREE: Some of those lines in the States of course were built to get out lumber -- the timber has all been cut off, there is no business left, and probably the lines should be taken up; some of them were built in mineral districts in Colorado, for instance, and the minerals being exhausted there is no business remaining for the roads. On the other hand, some of the lines have been built for purely competitive purposes, and one has destroyed the other by competition in handling traffic. I wondered whether that was the case here and to what extent.

SIR HENRY THORNTON: I should say that in no case has development in Canada reached its maximum as far as I know. Take for instance the Hudson Bay Railway which has been built to the Hudson Bay as a grain line. It is not unlikely that that line will be found to have developed a very important mineral country. We do not know. Already there is in existence Sherritt-Gordon, a large mine, and another mine is under consideration, so we do not know what that line is going to produce in the way of mineral development. It may turn out that the object for which the line was built may prove to be the minor reason, and that the major reason was never foreseen.

THE CHAIRMAN: I think Mr. Loree was emphasising the fact that some lines in the United States had been built for competitive purposes and had proved mutually destructive, and he wondered if a similar condition had developed in Canada.

SIR HENRY THORNTON: Undoubtedly there are such examples. For instance, one of the most tragic examples was the construction of two separate railways on the line

of the present Canadian National Railway through the Rocky Mountains, one built by the Grand Trunk Pacific and the other by the Canadian Northern. In many places a good strong man standing on one line could throw a stone over to the other. We matched them up, made one line out of them, and practically abandoned the rest. That is probably the most tragic case of competitive construction that we have had in Canada. There may be other cases where there has been competitive building between the Canadian Pacific and ourselves, due to no central authority that controlled the offensive, and perhaps defensive methods of each company. That is incidentally one of the large factors that ought to be considered -- if I may venture to make the suggestion -- by this Commission. There ought to be some kind of an umpire to lay down the rules of the game if we are to continue as integral companies. Neither railway should be permitted to invade the other's territory; no capital expenditure should be made for purposes of offence and defence unless it is justified.

THE CHAIRMAN: As incidental to the broader question and not with a view to criticise past management or anything of that kind, shall we be in a position to know to what extent that has occurred between you and the Canadian Pacific?

SIR HENRY THORNTON: Unquestionably; we have all that data for you, it can be shown to you immediately, it is available. Let me at once say what I neglected to say before, that anything I have said or shall say is not in criticism of the Canadian Pacific Railway. I have only the greatest admiration for that property. It was splendidly conceived; it has been magnificently operated. I merely

desired to point out that until the present time we had played certain rules of the game. Now the depression has brought about such a condition that we are asking the Commission: What do you think the new rules of the game should be? We will play the game according to those rules.

SIR JOSEPH FLAVELLE: Have you reflected upon the possibility of correcting some of the unfortunate over mileage occasioned by the construction of the third trans-continental line? That is to say, you have the three lines from Fort Arthur to North Bay. Do you need those three lines across there?

SIR HENRY THORNTON: No.

SIR JOSEPH FLAVELLE: Could you take one out?

SIR HENRY THORNTON: I doubt it.

SIR JOSEPH FLAVELLE: That is because vested interests have been built up?

SIR HENRY THORNTON: I think it is academically sound, but practically impossible.

SIR JOSEPH FLAVELLE: Because vested interests have been established?

SIR HENRY THORNTON: Not only in that way Sir Joseph, but you must remember that along the line of the trans-continental Railway which is perhaps one of the most conspicuous lines in poverty of traffic, communities have grown up and our French Canadian population are moving out and settling along there. They are making substantial progress. They are not producing enough traffic to support the line, but the fact is they are fairly thriving little communities all along that line. It would be a matter of impossible politics to take that line out or abandon the service.

SIR JOSEPH FLAVELLE: I understood you to say that if

a different judgment had prevailed, for instance, that if this Commission had been sitting in 1903 and had said, " the Grand Trunk eastern lines shall connect with the Canadian Northern western lines, " we would not be here today?

SIR HENRY THORNTON: That is a vivid but perhaps inaccurate way to put it. I meant to say that if the Commission had been appointed thirty years ago, many of the mistakes which we are now trying to correct would have been avoided.

SIR JOSEPH FLAVELLE: Exactly. The mistakes having been made, is there no constructive policy which you and your officers have in mind whereby you could materially reduce your long unprofitable mileage?

SIR HENRY THORNTON: In the matter of the abandonment of lines and services to any measurable degree I am inclined to think it would be doubtful.

SIR JOSEPH FLAVELLE: Take the line from Winnipeg west, the Grand Trunk Pacific alongside the Canadian National.

SIR HENRY THORNTON: That is our best main line, Sir Joseph.

SIR JOSEPH FLAVELLE: You mean it is the best line physically?

SIR HENRY THORNTON: And that is the line on which we usually carry all our traffic.

SIR JOSEPH FLAVELLE: Well, is there some Canadian Northern mileage that you could abandon?

SIR HENRY THORNTON: We have reduced other lines to the standard of maintenance of branch lines.

SIR JOSEPH FLAVELLE: You may remember that the

abandonment of certain mileage was due in the first instance to the need of the British authorities for rails. The Imperial Munitions Board arranged with the late Mr. FRANK COCHRANE to take up the rails so as to have them shipped to France for service there, and they were never relaid.

SIR HENRY THORNTON: You simply lightened my problem to that extent, Sir Joseph.

SIR JOSEPH FLAVELLE: Are you sure there is no duplication between North Bay and Port Arthur, particularly with the bus lines and automobile service in operation today?

SIR HENRY THORNTON: I will ask Mr. Czowski to point out on the map the railway lines in that territory.

MR. CZOWSKI: There are the Canadian Pacific line, the Canadian National line, the Ontario Government Railway, and the Transcontinental line starting east of Quebec and extending to Winnipeg, with a branch to Port William.

SIR HENRY THORNTON: The answer to your question is this, Sir Joseph, that an intensive study might reveal some instances in which that might be done, but I doubt whether the investigation would be very productive, remembering that when a railway is once built in such a country as ours and communities become established, no matter what the poverty of traffic may be, you are at once confronted with a very serious political problem in the abandonment of lines upon which such communities have been established.

SIR JOSEPH FLAVELLE: That would be less severe since the introduction of the automobile.

SIR HENRY THORNTON: The automobile would not be such a large factor up there. You must also remember, Sir Joseph, that our winters intervene and put a very effective stoppage to highway traffic.

SIR JOSEPH FLAVELLE: Yes, but the roads are kept ploughed throughout the winter.

SIR HENRY THORNTON: In that area we have not yet reached the point where the roads are kept open in the winter time, and if they are then it involves a great deal of expense and difficulty.

SIR JOSEPH FLAVELLE: Let me change the question to this form: if the administration of the two railway properties was under one executive, would there be a good deal of mileage cut out from the Atlantic to the Pacific?

SIR HENRY THORNTON: I do not know that I can answer the question categorically by saying that a good deal of the mileage could be cut out; but certainly this would happen, a certain amount of mainline mileage would be reduced in status of maintenance to branch lines, and consequently there would be a large economy effected.

COMMISSIONER LOREE: How far could you carry that, Sir Henry. For instance, in Colorado certain lines have service on alternate days. Would it be possible to reduce the service in that way, or even to suspend the service during the winter season?

SIR HENRY THORNTON: You would not be able to suspend operation during the winter season because that would leave the communities without transportation; but in many instances we have reduced the train service from daily to tri-weekly, and from tri-weekly to twice a week, and in some cases to once a week.

SIR JOSEPH FLAVELLE: That is recently?

SIR HENRY THORNTON: Yes.

COMMISSIONER WEBSTER: Would you suggest that it would be wise to eliminate entirely the Transcontinental across

New Brunswick? Is it of any value now?

SIR HENRY THORNTON: I do not think you could do that practically, Doctor.

COMMISSIONER WEBSTER: You run the trains now only three days a week. There are no settlements developing through the woods so far as I recall.

SIR HENRY THORNTON: There is a certain amount of lumbering activity, but I am talking from the point of view of my judgment whether it would be practical or not. I should think it would be impracticable. In other words, it may be something which is academically sound, but practically impossible.

COMMISSIONER WEBSTER: I should like to have a more specific answer than that.

SIR HENRY THORNTON: I think you will find from the station earnings which will be given you that while they are not profitable so far as the railways are concerned, they are sufficiently high to preclude the abandonment of the line or any further reduction in services. We can give you those station earnings.

MR. FAIRWEATHER: In addition to that, I may say that the National Transcontinental link from Quebec to Moncton is the cheapest route to Nova Scotia, and if you abandoned that road you would be laying a burden upon the transportation costs. That line has a very decided advantage both in point of mileage and of grade. So it is invaluable as a route for freight traffic between Nova Scotia and the rest of Canada.

COMMISSIONER LEMAN: As compared with the Intercolonial?

MR. FAIRWEATHER: Or the Canadian Pacific.

COMMISSIONER WEBSTER: We understand it is the best graded road, but nobody travels over it.

MR. FAIRWEATHER: There is freight traffic.

COMMISSIONER WEBSTER: There is some freight; how much?

MR. FAIRWEATHER: I think we use it for more than half our manifest freight, that is our fast freight movement.

COMMISSIONER WEBSTER: There is no settlement there.

SIR HENRY THORNTON: Mr. Fairweather can give you statistics showing the volume of traffic.

SIR JOSEPH FLAVELLE: I am not pursuing the question, Sir Henry, in any spirit of stubbornness, but it is said that due to the railway situation and to other burdens incidental to the war, we have reached an almost impossible condition. Now, at some stage constructive help must come from you and the other railway executives. There is no question that having made an initial blunder it is difficult to back up and overcome it, but at some point we must find a possible solution. That is the purpose of the Commission. I am wondering whether the two railways have reached the point of cooperation where their two senior executives would put their respective operating and engineering forces at work to see what can be done to create a national service. What is it we can do to offer you gentlemen as a constructive measure which if put into effect would help relieve this anxious situation? I suppose that has never practically come before the senior executive officers.

SIR HENRY THORNTON: No, not in that way, Sir Joseph. We started along the road of cooperation, and have been

proceeding measurably along it, but we have by no means exhausted what can be done.

SIR JOSEPH FLAVELLE: That would be a saving at the moment of about how much, \$23,000,000?

SIR HENRY THORNTON: No, that figure I gave you had nothing to do with cooperation, that applies purely to the Canadian National system. We have not gone any further along the road towards cooperation save in the matter of those steamship services, but we have a good many other things under consideration. Some of them if they receive the blessing of this Commission would become practical of application; without the blessing of this Commission they might be more difficult. I am referring to our telegraph companies, our hotels, our express companies and a number of services of that sort. The blessing of this Commission in respect to things of that sort would perhaps translate those things from the impracticable to the practical.

SIR JOSEPH FLAVELLE: Have you, Sir Henry, in your study of the situation considered what savings could be effected and these two railways give effective service to the country if they were operated under one administration?

SIR HENRY THORNTON: That is an extremely difficult question to answer, and I don't think I could answer it now. Possibly by the time you get back from the west I might be able to give you something along those lines, but to attempt to answer the question now offhand would be misleading on my part and premature.

SIR JOSEPH FLAVELLE: I did not know whether you had prepared any data covering that?

SIR HENRY THORNTON: No. As I say, I do not think that question could be answered just now.

SIR JOSEPH FLAVELLE: It has been stated by a certain railway man that a hundred million dollars could be saved annually by the consolidation of the services of these two roads. That is probably a rough and ready guess.

COMMISSIONER LEMAN: That would be at present freight rates.

SIR JOSEPH FLAVELLE: Yes; there would be that economy by the elimination of things that are unnecessary because of duplication.

SIR HENRY THORNTON: Without going into any figures, and simply using the hunch, so to speak, which everyone has in whatever business he is engaged, that is, you finally get so familiar with the business that you can tell whether a thing is accurate or inaccurate, or away off the mark, I should say unquestionably that the figure of one hundred million dollars is quite impossible to attain. I am just telling you that because my knowledge of the business tells me that figure is too high.

COMMISSIONER LEMAN: With present costs of business?

SIR HENRY THORNTON: Yes. I am speaking of present conditions.

SIR JOSEPH FLAVELLE: I suppose it is no more than what you describe as a hunch, but it came from a fairly representative railway man.

SIR HENRY THORNTON: I do not think it would be possible from my experience of the railway business. I am speaking of the hundred million dollars.

LORD ASHFIELD: Perhaps it has to be related to the hunch of five or six years ago.

THE CHAIRMAN: I do not think, Sir Henry, you had quite finished.

SIR HENRY THORNTON: I think I am practically finished. I referred to the question of cooperation, and I have tried to answer the questions you have asked. There is one more point to which I would like to call your attention; it escaped my mind. I refer to the preparation, the operation and the utility of an implement which we have developed through a monthly budget control, perhaps the most effective method for the control of expenses which most railways have. Our problem in control is exceedingly difficult because of the widely flung character of the property. We in Montreal are some three thousand miles away from Vancouver, and to attempt to control the details of operation and traffic and the marshalling of our expenses effectively is exceedingly difficult. We have evolved this new method of monthly budget control. As a result I know by the 22nd of the month within a negligible percentage what the gross revenues, expenses and net revenues of the company will be in the next thirty days, and the percentage of errors is surprisingly small. That, as you see, gives a very effective control. This budget is prepared by a conference of all the regional officers. We have three regions, the western extending from the head of the lakes to the Pacific coast, the central extending from the head of the lakes to Quebec, and the Atlantic extending from Quebec eastwards. Each of these three regions is presided over by a general manager and an appropriate staff. About the middle of the month the officers meet, they make an estimate of gross revenues, they examine their expenses and reduce them to what they think is the lowest minimum. Then they forward their results to Montreal, where they are examined by Mr. Mallory of our bureau of statistics, and I approve,



or alter, and the approval, disapproval or alterations are telegraphed to regional headquarters. Then that becomes the working budget for the following month, so that I know by about the 22nd of the month just what is going to happen nextmonth. That of course has excited considerable competition among our officers in the matter of saving instead of spending. In other words, it is a saving instead of a spending proposition. You can excite any kind of competition. We used to have competition in spending; now we have competition in saving. Every officer is saving all he can in his department, and is keen in seeing that no other department puts anything over him, spends more than it should. Perhaps Lord Ashfield would like to go into the details with Mr. Mallory as to just how the budget operates. It is very interesting and something we are rather proud of, if I may go that far.

Mr. Chairman and gentlemen, I have nothing further to add. I am afraid that what I have said is pretty rambling in its character, but the subject covers so many problems and so many difficulties that it is almost impossible to deal with it in any concise, consistent, short statement. So if I have been somewhat confusing in what I have said, and my statements have been perhaps a little inconsistent, I hope you will forgive me. I offer only one excuse -- the magnitude of the problem.

LORD ASHFIELD: You referred to the possibility of saving \$23,000,000 next year out of the various economies you are effecting.

SIR HENRY THORNTON: Yes.

LORD ASHFIELD: How do you deal with the question of obsolescence? What provision do you make in your estimates

for the year for the depreciation which takes place in your physical assets? Will the Canadian National Railway in some future year through the absence of funds at the present time be faced with the same kind of problem that you referred to some time ago when you said you had various equipment which was in bad condition or out-of-date?

SIR HENRY THORNTON: Of course, the United States lines are obliged by the Interstate Commerce Commission Act, as I understand it, to make certain charges on account of depreciation. We have no such obligation of a legal character in Canada. We get our depreciation through a retirement account. Now, there are two schools of thought in the railway world: one which follows the practice laid down by the Interstate Commerce Commission in relation to certain charges; the other which follows the practice of retirement accounts. I think that question can best be answered by Mr. McLaren, our comptroller, who is here. I am just a simple engineer, I do not know much about accounts. Necessarily one gets to know something about them in the course of railway work, but at the same time I think Mr. McLaren could give you a better technical explanation of our practice than I could myself.

LORD ASHFIELD: Before he does that might I pursue my question a little further. Let me assume that your earnings in a year are sufficient not only to meet all your actual operating expenses including maintenance, but also to meet all your interest charges. I am assuming that position for the moment. There is of course something much more to be dealt with than these two items, --

SIR HENRY THORNTON: Certainly.

LORD ASHFIELD: -- there is the intangible, unknown

depreciation of your undertaking which continues every year and which is not represented, of course, by actual expenditure of money. There comes a time, as you know quite well, when your undertaking can no longer be regarded as efficient; it has to be continued with the equipment you got twenty-five years ago, using that figure for the purpose of illustration. There is therefore year by year the accumulating of a vast sum of money in a system of this kind which will be needed one day for the replacement of your motive power, your rolling stock, your buildings and so on. Assuming my first proposition that you pay your actual expenses and your fixed charges, would you have laid aside that further sum of money?

SIR HENRY THORNTON: I will ask Mr. MacLaren if he will explain the depreciation situation.

MR. MACLAREN: On the depreciation question I feel that the principle followed by the United States roads is inconsistent. While they follow the principle of depreciation, yet they do not specify any regular rates to assess for depreciation. In other words, they will let a road set up depreciation or accrued depreciation on the basis of 1%, and they will allow a road to use 5%. Of course, they are all controlled by the Interstate Commerce Commission regulations. I want to explain the United States practice.

LORD ASHFIELD: Could you give it according to the class of equipment?

MR. MACLAREN: Locomotives, freight cars and passenger cars.

LORD ASHFIELD: They vary between 1% and 5%?

MR. MACLAREN: Yes.

COMMISSIONER LOREE: I think the practice in the States is for a road to adopt a percentage for depreciation which applies to all its equipment with this exception, that it may be, for example, two per cent for equipment purchased before the war and four and a half per cent for equipment purchased during and since the war, which looks after the rise in prices more than anything else. Some roads which are restricted in their earnings make that depreciation as low as possible; few of them I think get below two per cent; some roads which are very prosperous and want to hide their earnings make it as high as possible and run it up to considerable figures.

LORD ASHFIELD: It is obvious that there must be a certain sum of money set aside out of earnings, otherwise you reach the time where to function properly you have to go on capitalizing the cost of the rolling stock.

COMMISSIONER LOREE: This is one of the most controversial questions in railroad practice. Away back in 1838 the London & Northwestern railway started a depreciation account and carried it on for two years against the protest of the general manager, Captain Huish. They finally decided that it was unsound practice and they wrote back into their accounts the money they had charged off and said it was applicable to such uses as the officers of the company might decide to make of it, subject to their approval, or to the distribution of dividends. In the States opinion among railroad officers is very sharply divided before the Interstate Commerce Commission, and up to the present time the Commission have given instructions only as to the depreciation of equipment; they have an order in, to take effect January 31, 1922, deprec-

existing also the permanent way. One party contends that there is a steady depreciation in the way of obsolescence, and that that in time has to be made up. The other party contends with John Stuart Mill that all we have in the way of wealth is maintained only by constant reproduction, that there can be no depreciation, that what is sometimes called depreciation is under-maintenance, but that if the reproduction is sufficient then there can be no depreciation because the structure can only be maintained by constant reproduction.

THE CHAIRMAN: That applies to the permanent way.

COMMISSIONER LOREE: And equipment too. For this reason there are two elements entering into the question: First, perpetual life -- nobody expects railways to cease operation; secondly, the vast multiplicity of parts, running into millions, for instance, 17,500 parts in a locomotive and I think about 11,000 in a freight car. So you are constantly reproducing. Now as it works out in practice the railroads under instructions from the Interstate Commerce Commission divide their expense account into three items, maintenance, depreciation, retirements; but they are all in the total. The disposition of those monies is accounted for differently. Retirements and depreciation are held together and the monies may be used for payment of car trust equipment notes as they come due or for capital purposes, or for substantial additions to the property. For instance, I am interested in a little road, the Kansas City Southern. We protested against the requirement for a depreciation charge, and were one of the last to put it into effect; but we have taken it seriously and we have charged depreciation for equipment and property of about six and a half million dollars. We have a million and a half in the bank in cash, and the other five million dollars we have invested in the property either in additional equipment, or in shop machinery and tools, or in water

stations or things that are identified with the motive power department. It is a very vexed question and one about which there is much heated debate and quite a variety of opinions. There is no question that at times equipment has been allowed to be very seriously under-maintained, and those who believe there should be a depreciation charge think that that affords protection against under-maintenance. But there are very few railroads in the United States that have any serious accounting of money set aside for depreciation in maintaining the property. It is set up as a reserve and on the other side there is an entry against it; if the two balance there is no practicality given to the depreciation money.

LORD ASHFIELD: In view of what Mr. Manion said to us today about the relations between the railways and the highways I wonder whether we are not entering a new era and may not one day receive a very severe shock when we find that we have an investment which is not going to earn any return. I think you will agree to this extent, that there is a percentage of railway investments today which are unremunerative as result of road competition and that they will never earn any money, whatever the circumstances may be.

COMMISSIONER LOREE: I think you have raised a question which is of great practicality. There are many sides to it. As I said a short time ago, none of the many bus lines seem to be paying. I expect to see those disappear, but we are facing very serious changes.

LORD ASHFIELD: In England they are all profitable.

SIR JOSEPH FLAVELLE: What do you do on your lines, Mr. MacLaren?

MR. MACLAREN: On our American lines we carry out the

Interstate Commerce Commission regulations. On our Canadian lines we charge our retirements each year to operating expenses as the physical retirement is made.

SIR JOSEPH FLAVELLE: That is, an obsolescent car you get rid of?

MR. MACLAREN: When a car is taken out of service and dismantled the ledger value is written off to special expenses.

SIR JOSEPH FLAVELLE: And you make no depreciation charge against the active service?

MR. MACLAREN: No.

SIR JOSEPH FLAVELLE: Then your equipment is steadily mounting in value?

MR. MACLAREN: It is just a question of what the relationship should be. In the whole of this last nine year period the retirement charges were pretty high and possibly were equal to a depreciation charge.

SIR JOSEPH FLAVELLE: Because your predecessor had not written off his obsolescent service. For instance, I found when I went to the Grand Trunk there were cars that had been for years left on the side of the road without any wheels under them still registered as being of value on the balance sheet.

SIR HENRY THORNTON: That is quite right.

THE CHAIRMAN: Am I right in supposing that if the Canadian National Railway runs through a long period of depression such as we have now, in other words, there is a deficit year by year, and this provision for retirements must be deferred, a debt is being built up which has got to be met in subsequent years; or are you writing down now year by year the value of your equipment, and does the deficit which you have disclosed reflect that writing down

as it comes along?

MR. MACLAREN: It reflects the retirements that are made each year.

THE CHAIRMAN: You retire just as much in a good year as you would in a bad year?

MR. MACLAREN: I understand the officials of the operating department do that.

SIR HENRY THORNTON: That is true. Then another thing to remember with respect to the situation in this, that we have a large amount of equipment standing idle. Now, while there is some deterioration due to the ravages of nature, there is nothing like so much as would be if that equipment were in active service.

THE CHAIRMAN: But where there is a retirement that is written off in operating expenses and is reflected in any annual deficit?

MR. MACLAREN: That is true.

THE CHAIRMAN: What about deterioration of the permanent way. How do you provide for that?

MR. MACLAREN: With respect to the roadway property when a retirement is made and not replaced that is charged to profit and loss; but if it is replaced by a new facility the original charge, the ledger value, is written out to operating expenses.

LORD ASHFIELD: If you are maintaining your rolling stock efficiently, as I gather you are, how does the question of retirement arise?

MR. MACLAREN: The individual unit goes out of existence.

LORD ASHFIELD: But that is a question of policy.

MR. MACLAREN: If I understand the question right,

retirement comes about through the fact of the physical retirement of any unit of equipment.

LORD ASHFIELD: Certainly. Not because its physical condition demands it, but on the grounds of obsolescence affecting efficiency and there is something better to take its place. That makes the operation of the railway possible.

MR. MACLAREN: Naturally.

LORD ASHFIELD: Where is that provided for?

MR. MACLAREN: New equipment is provided for in equipment trust issues.

LORD ASHFIELD: That is capital expenditure.

MR. MACLAREN: Yes. Any new equipment purchased is charged to capital account.

LORD ASHFIELD: And when it grows old it is written off?

MR. MACLAREN: Off capital account to operating expenses.

COMMISSIONER LEMAN: Would the figure for retirement vary considerably from one year to another over the period, say, from 19-37?

MR. MACLAREN: I do not think there is very much variation. That is in the pamphlet which you have.

COMMISSIONER LEMAN: It would not vary in years of depression compared with years of plenty?

SIR HENRY THORNTON: Not materially. We have made pretty heavy charges to expenses on account of retirement because, as Sir Joseph pointed out, our predecessors had not provided for obsolescence. For instance, I told you that we had some 37,000 box cars with wooden underframes which were obsolete. That factor alone increased our retirement charges during the last eight or nine years.

LORD ASHFIELD: That is a very valuable experience. Does it mean that each time you are going to put a new type of locomotive or dining car into service you say, "Very well, we will do this," and the whole effect is that the government of Canada are asked to provide more money?

SIR HENRY THORNTON: No. Perhaps that involves an explanation of how the budget of the Canadian National Railways is prepared, and I was just about to explain that. We prepare a budget of capital expenditures. Naturally the condition of the times has more or less effect upon that, because you become more liberal with capital expenditures in good times; you can afford to do so; and it is good policy to do so even in lean times. A capital budget is prepared which is submitted to the government and either approved or disapproved by the government, because the government must provide the money, and since it provides the money it has a right to say how much is to be spent. Now I make my representations to the minister, and he informally approves of what is to be done; then that is formally submitted to the Board of Directors of the Canadian National Railways and formally approved; then it goes to the minister and has his formal approval. After that it is submitted to the House of Commons and either approved or rejected. I know of no case thus far in which it has been rejected.

LORD ASHFIELD: The point I am making is this: If there was a deficit, and that was the determining factor, it seems to me it would be rejected.

SIR HENRY THORNTON: The government might say, "You cannot have any money at all for capital expenditures." Then we would have to put up with that, or I might have to say, "It is all very well to say that, but if this system is going to be maintained as a going concern there must be such

and such expenditures." So far I have always been able to come into accord with the ministers. We may not be in accord when we start out, but we must and do eventually come into accord.

LORD ASHFIELD: If it is based upon a deficit you cannot get any money.

SIR HENRY THORNTON: Oh yes, you can and do get money.

LORD ASHFIELD: But if it is based upon a deficit, it is only because the Canadian government has other sources of money that you do get your capital requirements.

SIR HENRY THORNTON: In other words, what you really mean to say is this: If the Canadian National Railways were under private ownership the system would have been in receivership years ago. And that is perfectly true.

SIR JOSEPH FLAVELLE: That is a very important statement. If a nationally owned system would be in bankruptcy if it were a privately owned system, then you should not have a nationally owned system.

SIR HENRY THORNTON: That is a matter of opinion. I mean that is a matter of national policy, a matter for the people of Canada to decide.

SIR JOSEPH FLAVELLE: I am interested in your statement about budgets and in your remarks about depreciation. I have had over fifty years experience with budgets. They started with me by my carrying an envelope in my pocket and trying to figure at the end of each week how it had turned out on what I had planned to purchase for the week. Out of that beginning has grown over the course of years a wide experience of the things which enter into a budget. From it there has evolved this cardinal principle, that depreciation is as much a charge against business as wages that are paid,

and that the man who operates his business without regard to depreciation makes a serious mistake. My own personal policy is to charge all repairs to depreciation and carry the depreciation as well. It is astonishing what men can do when they know the burden they have to lift; and it is astonishing how lax they can become when they do not know the burden they have to lift. Now, in the operation of railways when times are hard -- I am taking the Grand Trunk as my example -- they had no money to spare for depreciation; occasionally they would have a little, and I suppose some of that would be used to get rid of certain obsolescence before charging obsolescent cars into operating expenses. For instance, take the 35,000 freight cars to which you have referred: if there was no depreciation what would be the ledger value of those cars?

SIR HENRY THORNTON: About a thousand dollars perhaps.

SIR JOSEPH FLAVELLE: Thirty-five thousand times a thousand dollars would have to be written off that year in charges for obsolescent cars, which is a pretty onerous charge.

Mr. MacLAREN: Are you speaking, Sir Joseph, of the reserve account of the Grand Trunk?

SIR JOSEPH FLAVELLE: They did have a small depreciation allowed, which was quite insignificant in contrast with their whole equipment charges.

Mr. MacLAREN: That is right.

SIR JOSEPH FLAVELLE: I am inclined to think that over the North American continent in difficult times the equipment account gets all out of balance. Provision is not made for depreciation. Depreciation is treated as an item to be used when times are good and to be left alone when times are bad. I find on looking over the balance sheets

of thousands of commercial concerns from the Atlantic to the Pacific that in lean years they leave out all the depreciation in order to make a good showing to their banker in the expectation that he may lend them money. Now on this question of depreciation of railway property which will have to be replaced sometime, there is a tendency steadily to raise the amount of bonded indebtedness against the company -- that has been happening on the Canadian National -- until it reaches a point where you have \$57,000,000 a year as interest on bonded indebtedness outstanding, or various types of indebtedness outstanding, while at the same time accumulating deficits of three or four hundred millions of dollars which the government had paid on old loans, no interest being charged against them. I am not reflecting on the administration, for I have a pretty good knowledge of your difficulties. But in the consideration of this problem that we are dealing with the point that his Lordship raises touches the very vitals of the accounts. Take, for instance, the question of operating charges; I do not suppose that the interest on the equipment becomes any part of the operating charges.

MR. MacLAREN: No.

SIR JOSEPH FLAVELLE: I may buy an engine that may cost me so many thousand dollars, I have added to my operating charges, but the operating man does not know anything about that.

MR. MacLAREN: Correct.

SIR JOSEPH FLAVELLE: The operating man comes along and says, "I want to reduce my operating cost; therefore I want the security." He gets it. Then he says, "look at what I have done." But he has done it without charging himself

a penny for the interest on the machine which has done the work for him, or without charging for depreciation of that machine. Consequently it is not a true operating situation. When I say that I mean it gives a wrong impression to the man who is operating the road as to how he is carrying on unless he has all the factors. We know that from your accounts because there is a steady rise in capital charges in the shape of interest.

SIR HENRY THORNTON: I think this point has to be remembered, Sir Joseph. An operating officer will get authority to purchase certain tractive power. It may cost him, let us say, five percent to borrow the money necessary to procure that locomotive. On the other hand with that locomotive on that capital investment he can earn ten percent. That is a good thing to do. If he did not proceed upon that basis he would soon be overtaken by dry rot, obsolescence; he would find his operating ratio steadily rising, and he would eventually find himself in the position of not having any motive power at all. That is exactly what happened with respect to certain capital expenditures which I undertook to explain a few moments ago.

LORD ASHFIELD: That is one of the elements in the situation which always seems to me to be very important, because it is quite conceivable that a railway company which out of its revenue year by year has not made provision for the replacement of its rolling stock will one day find itself in the position where if it is to function as a satisfactory unit it must buy something new in the way of rolling stock which science provides. But it has not got such for the purpose. In fact you say the railway is operating at a loss. Then it finds it difficult to raise money;

although it may know it is a very profitable investment to make, and, as you say, may mean a return of ten percent on that money. The difficulty arises because the financial situation does not allow the railway to raise the money, and not having the money laid aside as a reserve, it is unable to compete.

SIR HENRY THORNTON: There can be no argument with respect to the doctrine that any railway company which ignores its depreciation position, or allows its condition of depreciation to become such as you have described, will eventually be overtaken by disaster. I take it that we are discussing the academic question now, and that it is not in the minds of the Commission that the Canadian National Railway system has been deficient or has not made proper charges on account of depreciation. When you come to discuss the depreciation situation of the Canadian National Railways, we shall be glad to put at your disposal any figures you may want in that respect. I take it that we are now simply discussing an academic question.

COMMISSIONER LOREL: I understood from the controller that you made no charge for depreciation.

SIR HENRY THORNTON: It only comes in as a matter of retirement. He explained the policy of the Canadian National Railways. The practical question is: What can we do?

LORD ASHFIELD: You do not want to fool yourself -- let me put it that way.

SIR HENRY THORNTON: Certainly, I would not attempt it. But the whole point is this: When my connection -- I must speak of myself personally -- commenced with the Canadian National Railway system I found a badly deteriorated situation which could not be caught up in one year or two

years. Sir Joseph, who was my predecessor on the Grand Trunk, had the same problem to deal with. Now, as rapidly as possible we have been catching up that situation. From the figures that will be given you will be able to decide for yourselves to what degree it has been caught up.

SIR JOSEPH FLAVELLE: But, Sir Henry, we are confronted with this situation in respect to the Canadian National Railways. Let me say at once that I am not critical of the administration, I am only dealing with the facts; it is no longer an academic question. The Canadian National Railway system steadily accumulates its capital investment, adds to its annual charges without earning money to compensate for it.

SIR HENRY THORNTON: Well, Sir Joseph, I want to make it quite clear as far as this Commission is concerned that I have no apologies whatsoever to offer for the capital expenditures on the Canadian National Railways for the last nine years. Further, I say that if those capital expenditures had not been made there would be no Canadian National Railway system here today in the sense that we understand it. We will be glad to furnish the Commission with figures to demonstrate that situation.

SIR JOSEPH FLAVELLE: Don't, Mr. Chairman, let me leave Sir Henry under the impression that I am criticising either him or his officers. I am only saying this. We have a great railway property which has cost the government of the country an enormous outlay in the payment of deficits -- necessary deficits by reason of the condition in which the property was found. I believe those capital expenditures were necessary to cover the mistakes of the past which resulted in the roads being thrown into the hands of a

receiver and the security holders taking the loss. By reason of war conditions the Minister of Finance said, "I will not continue in my post if the credit of Canada at this time is broken by putting these properties into the hands of a receiver." Therefore, the government of Canada did assure all these investments in perpetuity, excepting the Grand Trunk preference and Grand Trunk common which became a matter of arbitration by reason of the Grand Trunk directorate not being willing to accept the offer which the government made to them. That is the position with which we are now confronted, Sir Henry. As a member of the Commission I turn to you and to your officers, not by way of finding fault but by way of constructive suggestion and ask how we can make capital expenditures and earnings keep step with one another. The \$32,000,000 of interest charges on the whole system in 1921 has become \$57,000,000, and on the \$57,000,000 -- by the accident of a bad time which comes over us all in our relations -- apparently the government will have to apply some \$8,000,000, I think you said. That is for fixed charges.

MR. MACLAREN: Net operating revenue, Mr. Mallory said. That is, gross revenues less expenses. You must take further into consideration taxes and other income items before you deal with interest charges.

SIR JOSEPH FLAVELLE: I have a very old quarrel with operating accounts in that they do not tell the whole story. The only way in which a railway can earn money is through operation. You have not made any money at all until there is something left for the shareholders; taxes, repairs, and renewals have to be kept up, and until that happens there is not any dividend. Now the government of Canada say:

" we are so anxious about this situation that we want you to see if you can discover a way of remedying the whole situation." What I hope we may be able to get from this able body of railway men is a constructive plan to show how that property can live and do better. If these capital expenditures continue to pile up the fact of the matter is that with the international money markets closed against us we cannot float any loans and it will be difficult for it to carry on. Therefore if these two roads ought to be operated by one board, or by two boards, whereby out of the traffic that can reasonably be secured the capital expenditures can be met, we ought to have such a constructive plan. Otherwise it certainly means that a situation will come about that will be very serious. Such a constructive plan would solve the problem and the country would not be confronted with the task of providing over a million dollars a week to take care of the deficits. That is the problem. I am not stating that by way of quarrelling with what has been done; that is all behind us. What we are concerned with is what can we do in the future.

SIR HENRY THORNTON: I am perfectly in accord with all you have said, Sir Joseph, and certainly we want to cooperate and will to the fullest possible extent. If I spoke with emphasis a moment ago with respect to our capital expenditure it was only by reason of my knowledge that I thought the right thing had been done in the circumstances. There is this fact also to be remembered, that to a very large degree the expenditures for capital and the things which these capital expenditures represent are in a declining stage. To a very measurable extent we have caught up with obsolescence, deferred maintenance and a good many things

of that kind which existed six or eight years ago. Therefore our capital expenditures on this property ought to grow less instead of greater. But I should like to make it quite clear to this Commission that insofar as the depreciation situation is concerned I am fully in accord with all that Sir Joseph has said.

COMMISSIONER LOREE: I wonder to what extent the practice on which Sir Henry has based his remarks follows the practice in the States. We start out with a statement of revenue from passenger, freight and other sources; we follow that with a statement of expenses divided into the various branches, maintenance of way, equipment, transportation and so forth. The difference between these two statements is called the net operating revenue. That is followed by a deduction on account of railway tax accruals and uncollectible revenue, and we get what we call the railway operating income. Then we take off equipment rents and joint facility rents and get the net railway operating balance.

SIR JOSEPH FLAVELLE: Those equipment rents are rents that accumulate to discharge the equipment notes?

MR. LOREE: Not at all. Those rents represent exchange of cars with other railroads. Then from the net operating income we deduct the non-operating income or add to it to get the gross income. From that we make deductions for interest and we get the net income; that is the final stage. What is left after payment of interest leaves a balance for payment of dividends on capital stock, preferred or common. So we have net operating revenue; railway operating income; net railway operating income; gross income; net income. There you have a variety of very confusing expressions that we are using every day.

COMMISSIONER LEMAN: I believe Mr. Yates can confirm

that. Is not that the way statistics are given by the Departments of Railways and Canals, Mr. Yates?

MR. YATES: I think it is on the same basis.

SIR HENRY THORNTON: Yes, it is exactly as we follow it.

SIR JOSEPH FLAVELLE: You have no depreciation there at all.

COMMISSIONER LOREE: Depreciation is charged in the operating expenses; it is part of the operating expenditures. Operating expenditure is money paid out for upkeep, depreciation and retirements, that is, in case a car is smashed up or torn down, and the money paid for what we call abandoned property, which is a piece of real estate sold or a station torn down or something of that kind as distinguished from rolling stock.

MR. MacLAREN: I should like to finish Sir Joseph's question with regard to the amount available to meet fixed charges. This document which you have under the caption of Receipts and Expenditures, January 1, 1923, to December 31, 1930, reflects \$242,000,000 available to meet interest due the public, which amounts to \$331,236,206.25.

SIR JOSEPH FLAVELLE: Where is the difference between the thirty-two and the fifty-seven or twenty-one?

MR. MacLAREN: This is for a period of eight years.

SIR JOSEPH FLAVELLE: I am afraid I did not catch that. That is the depreciation for that period?

MR. MacLAREN: No; the net earnings available to meet interest or fixed charges.

SIR JOSEPH FLAVELLE: How much were they during those eight years?

MR. MacLAREN: They were \$ 331,000,000 odd.

SIR JOSEPH FLAVELLE: And the fixed charges?

MR. MacLAREN: I gave the fixed charges; the amount available was \$251,000,000.

SIR JOSEPH FLAVELLE: And \$331,000,000?

MR. MacLAREN: Yes, \$331,000,000.

SIR JOSEPH FLAVELLE: That includes all the deficits of that period?

SIR HENRY THORNTON: I think what Mr. MacLaren means is this: The figure of \$341,000,000 represents interest due the funded debt in the hands of the public.

MR. MacLAREN: Yes.

SIR JOSEPH FLAVELLE: Yes, not figuring interest due the government on loans.

SIR HENRY THORNTON: What Mr. MacLaren means is that in the eight year period, January 1, 1923, to December 31, 1930, we had available for interest due the public \$242,000,000; the total amount due the public was \$331,000,000; and in that period we fell short practically \$90,000,000 in meeting the interest of the funded debt to which you refer

COMMISSIONER LEWIS: Plus your capital requirements?

SIR HENRY THORNTON: Oh no.

COMMISSIONER LEWIS: What do you say about the \$385,000,000?

SIR HENRY THORNTON: That represents the capital investment; but this represents the amount of money we had to apply to meet interest on the funded debt in the hands of the public.

SIR JOSEPH FLAVELLE: But the accumulated deficits during those years have run into hundreds of millions.

MR. MacLAREN: That includes interest due the government.

SIR JOSEPH FLAVELLE: You are now speaking of interest on the deficits:

SIR HENRY THORNTON: No. In this statement which Mr. MacLaren handed to me I am speaking of interest on the funded debt in the hands of the public. I am not speaking of interest due the government, because when you come to consider that you will find you are getting into all sorts of complications and difficulties; for example, the capital stock of the Canadian Northern Railway was bought for \$10,000,000, and it was taken into the government's books at \$100,000,000. You will find there are a good many things in the government's account which, strictly speaking, are not capitalizable.

SIR JOSEPH FLAVELLE: But it is the interest on the loan account that you are speaking of, and your loan account is such that you do not pay interest on it. For instance, there is nothing paid on the investment in the National Transcontinental and the Intercolonial; that is about \$400,000,000 now.

SIR HENRY THORNTON: No.

SIR JOSEPH FLAVELLE: Then in addition there is \$300,000,000 and over in actual loans apart from deficits.

MR. MACLAREN: Loans by the government?

SIR JOSEPH FLAVELLE: Yes.

MR. MACLAREN: \$604,000,000 to the end of December, 1930.

SIR JOSEPH FLAVELLE: \$604,000,000, and \$400,000,000 -- a billion in itself. There is no interest charged on those loans?

SIR HENRY THORNTON: No.

MR. MACLAREN: Pardon me. There is taken into the

account interest on the \$600,000,000 loans, which amounts to about \$32,000,000.

THE CHAIRMAN: But it is not in the figure just given.

MR. MACLAREN: No. That is exclusive of any interest charges due the government. I just want to explain with regard to the \$579,000,000 that it includes accumulated interest due the government amounting to \$322,000,000.

THE CHAIRMAN: That is a figure we have not dealt with yet.

MR. MACLAREN: Sir Joseph made mention of it.

THE CHAIRMAN: What is that?

MR. MACLAREN: Interest on the principal to the end of December, 1930, amounting to \$322,000,000.

SIR JOSEPH FLAVELLE: I am thinking of the interest due the public and the accumulation of these charges which this year they speak of as being \$57,000,000. How much of the \$8,000,000 is eaten up with taxes and other charges?

MR. MACLAREN: I would not want to answer that off-hand, Sir Joseph, but it will be about \$2,000,000 in twenty-five or thirty accounts.

SIR JOSEPH FLAVELLE: Will there be any relief from the \$57,000,000?

MR. MACLAREN: After your taxes, your credits of other income and your debits to other income, you will possibly have a million or two million dollars to apply on your fifty-five or fifty-six million dollars interest charges due the public.

SIR HENRY THORNTON: You mean this year.

MR. MACLAREN: This year -- that is the question I understood Sir Joseph to ask.

SIR JOSEPH FLAVELLE: During the weeks we are at work

it might be helpful if we could receive from you railroad men constructive suggestions with respect to the problem we are considering. For example, if the two railroads were operating as one system which type of administration would be in charge, the private as in the Canadian Pacific, or the public as in the Canadian National? What are the advantages and disadvantages of such unified operation, and of the two types of administration?

Or if the two railway companies were operated separately but under one board which would have the direction of both systems, what are the advantages and disadvantages?

Or if the two railways are to be operated as at present by separate boards, with authority resting somewhere to require cooperation in order to eliminate unnecessary duplication of services, what are the advantages and disadvantages of this type of administration?

In considering such constructive plans you will bear in mind that the ultimate test is the effectiveness of the service on behalf of the public, and the effectiveness of the returns which make the systems take care of operating and fixed charges.

MR. MacLAREN: I think, Sir Joseph, you have asked quite a lot.

SIR JOSEPH FLAVELLED: Of course.

SIR HENRY THORNTON: I think we can answer those questions. It is something that will have to be discussed between Mr. Beatty and myself.

THE CHAIRMAN: You will have several weeks to consider it.

SIR HENRY THORNTON: That will be something for us to consider. It involves a question almost of national policy.

SIR JOSEPH FLAVELLE: We have to face it sometime, and I mention it now because it will take a good deal of doing. That is why I raise the questions this early in the day.

SIR HENRY THORNTON: It is quite conceivable that you may come back from the west with some ideas yourself --

LORD ASHFIELD: Possibly.

SIR JOSEPH FLAVELLE: But after all it is a railroad matter.

SIR HENRY THORNTON: -- if I may be so complimentary.

THE CHAIRMAN: But we have not been at the work so long as you have, Sir Henry.

Is there anything further, gentlemen?

SIR HENRY THORNTON: There is nothing I have to say, Mr. Chairman.

MR. MacLAREN: I should like to make one more statement, Mr. Chairman, I think it is right you should have it. Under the Canadian classification government railway accounts-- I am not sure whether the Canadian Pacific operate under that classification or not -- it is provided that there shall be set up no depreciation of equipment, that retirements of equipment shall be made only when the physical retirement is made.

LORD ASHFIELD: What Canadian classification do you mean?

MR. MacLAREN: The classification prepared by the Department of Railways and Canals. It was afterwards taken over by some other department I think.

THE CHAIRMAN: Mr. Yates will be able to tell us about that.

MR. MacLAREN: Yes.

THE CHAIRMAN: Thank you very much, Sir Henry.

SIR HENRY THORNTON: I again apologize, Mr. Chairman, for making such a long rambling statement.

THE CHAIRMAN: When we meet again perhaps some of us may know a little more about the subject.

SIR HENRY THORNTON: I am sure you will. Is there anything further?

THE CHAIRMAN: Nothing, thank you.

(At 3.40 p.m. the Commission adjourned until 10.00 a.m. tomorrow, Saturday, December 5.)

ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

The Royal Commission appointed to inquire into the whole problem of transportation in Canada, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable future developments of the country, met at the Parliament Buildings, Ottawa, on Saturday, December 5, 1931.

PRESENT:

RIGHT HON. LYMAN POORE DUFF, P.C., Chairman	
RIGHT HON. LORD ASHFIELD)
)
SIR JOSEPH W. FLAVELLE, Bart.)
)
BEAUDRY LEMAN, Esq.) Commissioners
)
LEONOR FRESNEL LOREE, Esq.)
)
WALTER CHARLES MURRAY, Esq.)
)
JOHN CLARENCE WEBSTER, Esq.)

Arthur Moxon, Esq., Secretary

George W. Yates, Esq., Assistant Secretary

Officials of Canadian Pacific Railway Company

E. W. Beatty, K.C., President

Grant Hall, Vice President

D. C. Coleman, Vice President Western Lines

W. H. Curle, K.C., General Counsel

E. E. Lloyd, Comptroller

J. H. R. Fairbairn, Chief Engineer

T. C. MacNabb, Engineer of Construction
Western Lines

E. A. Leslie, Assistant Comptroller

Parliament Buildings, Ottawa,
Saturday, December 8, 1931.

MORNING SESSION

The Commission met at 10.30 a.m.

THE CHAIRMAN: Mr. Beatty.

MR. E. W. BEATTY (Chairman and President, Canadian Pacific Railway Company): Mr. Chairman, the officers who accompany me are Mr. Grant Hall, whom you asked to be here to-day, our Vice-President; Mr. D. C. Coleman, Vice-President, Western Lines, who will accompany your Commission; Mr. Lloyd, our Comptroller; Mr. Leslie, Assistant Comptroller, who will accompany you; Mr. Fairbairn, our Chief Engineer, and Mr. McNab, our Chief Engineer of Construction, who will also accompany you. Mr. Curle is with me.

Now, I took your intimation rather literally that you would like me to come prepared with a statement reduced to the form of a memorandum, and perhaps that is the quickest way I could deal with the question.

The position of the Company I represent is not quite analagous to that of the Government or its railway system, but we are naturally affected by the same set of economic and traffic conditions in Canada and the United States which have affected the operations of the Canadian National Railways. The depression through which the country has passed, particularly in the last two years, has involved serious decreases in our gross and net earnings, necessitating drastic economies throughout the whole of the Company's system and compelling limitation of our distribution to our shareholders. The effects of the depression in Canada have been accentuated by a

succession of partial crop failures in the West which, accompanied by the difficulty in disposing of our principal products at profitable prices, has greatly reduced the purchasing power of the Canadian people.

I might say at this point that the crop failures particularly affected the Canadian Pacific, being in the main in the territory served by their lines.

In its fifty years of operation, the Company has never experienced such an acute recession in gross earnings as it has experienced in 1930 and 1931, and that this circumstance is largely responsible for present unsatisfactory net earnings, is indicated by the fact that if it enjoyed this year the gross earnings of 1928, it would be able to pay 10 per cent dividends and have a surplus of between three and four million dollars, and, if the average earnings per mile of the Company during the eight years ending December, 1929, were received in 1931, the Company would have earned all its present fixed charges, preference dividend and over 9 per cent on its ordinary capital stock, and this notwithstanding the increase in its capital and funded debt.

The Company's directors do not look forward to future years with apprehension, believing that under anything like normal conditions, the earnings of the Company will be adequate, but they appreciate that the general transportation situation in Canada commands recognition and that the national interest demands that transportation burdens should be lightened. If they can be lightened or any measures adopted which will assure to the rail companies traffic now moving by competitive transportation agencies, the Company as a heavy taxpayer

and a national transportation agency will participate in the benefits.

We have, therefore, approached the problem which has been submitted to the Commission from the standpoint of what is in the interests of the country, believing that in the last analysis that will be in the interests of the owners of our property, particularly if the Commission is able to devise means whereby waste will be eliminated or lessened and permanent economics effected. Now that the problems are to be weighed and considered in an impartial spirit, I believe that it will be found possible to devise changes in policies and practices which will be to the advantage of security holders, and which will contribute to the national well-being.

The Company has no major transportation enterprises in prosecution or in contemplation for the next few years, though, of necessity, its policies are subject to revision if any change in the economic or transportation situation should take place which would warrant new ventures or large capital expenditures. I think I am safe in saying, however, that nothing save ordinary improvements and betterments, which are of necessity continuous, lie before us in the immediate future.

Canada presents a railway transportation situation which is unique in character, offering as it does the spectacle of a publicly owned system and a privately owned system, each operating from the Atlantic to the Pacific and competing with each other in service and facilities. In some other countries the railways are owned partially by the state and partially by private investors, notably in France, but there, as I understand

it, they function in different zones and supplement each other in providing for the national necessities. Your Commission will, no doubt, feel called upon to consider if the present arrangement is based on a sound economic principle. If, on one hand, the privately owned system finds it is unable to maintain its credit in an unequal struggle with the long purse of the state, a grave injustice will be done to the shareholders of a corporation which has fulfilled its fifty-year old contract with the nation, and which has made its full contribution to the upbuilding of the Dominion. Such a consummation would cause most serious injury to the reputation of this young country as a field for private investment. If, on the other hand, the publicly owned system, because of sectional or political interest, or because of an attempt to duplicate the facilities already provided, is forced into further heavy capital expenditures, the burden on the general taxpayer will become intolerable.

While I presume the members of the Commission are familiar with the history of the Canadian Pacific, I would like to refer very briefly to the objects for which it was created. It is essentially a national undertaking. It was a term of the entry of British Columbia into confederation in 1871 that the Dominion would procure the construction of a railway connecting the seaboard of British Columbia with the railway system of the eastern provinces. The project was commenced as a government work, but, after ten years, progress had been so unsatisfactory that only a small part of it was completed or under construction, and Parliament deter-

mined to commit the construction and operation of the line to a company to be aided by subsidies of land and money. For those purposes the Canadian Pacific Railway Company was incorporated by Charter issued in 1881, under the provisions of the Statute 44 Victoria, Chapter 1. By the terms of the contract embodied in the Charter, the railway was to be completed on or before May 1, 1891. As a matter of fact it was completed five years earlier. To give full effect to the provisions of union, it was made a term of the contract that the Company "shall forever efficiently maintain, work and run the Canadian Pacific Railway".

How the Company has carried out this obligation will be found in its record of steady growth and improved service during the fifty years that have elapsed since its incorporation.

To implement the contract with the Government, the property has been continuously improved and is to-day in excellent physical condition for efficient and economical operation. Its development has been accompanied by conservative financial policies. The value of its assets is greatly in excess of the figure at which they are carried in the balance sheet. Its capitalization is well balanced, the funded debt representing only forty-nine per cent of the total. Its fixed charges per mile amount to \$1,023 and the capitalization is \$59,345 per mile of railway.

The low capitalization and the comparatively easy load of fixed charges has enabled the Company in the past to keep its service charges at an unusually low level. In dealing with the question of rates, the Board of Rail-

way Commissioners has for years taken the Canadian Pacific's operations and financial position as a yardstick, disregarding the financial structure of other companies on the ground that to provide for their necessities would place an excessive burden on the traffic of the country. I might interject, sir, that that policy of the Railway Board is evidenced by an order in council passed, I think, in 1917 or 1918 in which the Government of that day, under the War Measures Act, directed the Railway Commission to follow that practice and regard only the Canadian Pacific results in considering rate questions.

When the line to the West was opened in 1886, the total mileage of the Company in operation was 4,338; in 1920 this had increased to 13,402 miles. In 1886 the Company owned 372 locomotives and 8,253 freight cars; in 1920 the Company owned 2,255 locomotives and 88,057 freight cars. In 1886 the number of tons of freight carried was 2,046,195, included in which was 10,960,582 bushels of grain. In 1920 the number of tons of freight carried had increased to 30,160,134, included in which was 172,536,485 bushels of grain. In 1889, the first year for which the figure is available, the average freight train load was 162.2 tons; in 1920, on a comparable basis, it was 529.2 tons. In 1886 the total train mileage was 5,024,148; in 1920 it had increased to 46,767,790; 1,429 miles of line were double tracked. The weight of rail in the main line track had increased in that period from 56 pounds to the yard to 85 pounds. Temporary wooden bridges were replaced by permanent structures, the road bed strengthened and track materials improved. These comparisons show growth both in facilities and in traffic.

At this point may I refer the Commission to some now official documents which they might care to consider in dealing with this question. There is the Drayton-Acworth Report made in 1917, the facts outlined in which may be regarded as official. The conclusions speak for themselves. There is, in addition, the late Lord Shaughnessy's address to the shareholders of the Company in 1918, which proved to be his valedictory, containing a review of the Company's operation up to that date. Among the public documents of the country, there is his letter to the then Prime Minister in 1921, with memorandum attached, and also there is the report of the Special Committee of the Senate to inquire into the railway situation in 1925. Extra copies of these last three documents have been printed and are available should the Commission require them.

I think it would be informing to the Commission were I to summarize briefly the operations of the Company during the past ten years. I have taken this period as it generally synchronizes with the period of the consolidation of the companies now forming the National System.

The Annual Reports for the period record the operations of the Company from year to year, and its plans for future development. They are available for each member of the Commission.

They do not, however, reveal in all its phases the steady improvement that has been made in transportation service. There has been a general speeding up of the running time of fast freights between the principal terminals in the country. For instance, in 1930 the scheduled running time of the fast freights between Montreal and Vancouver had been reduced by practically three

days from the time of 1921. Innumerable changes have been made in the routine of handling freight in terminals to permit of more prompt and convenient handling. Passenger services have been accelerated. As much as half a day has been cut off the running time between Montreal, Toronto and Vancouver. The rolling stock equipment is the equal of any on this continent.

The improvement in service was accompanied by successive reductions in unit operating costs, partly made possible through capital expenditures for additions and betterments and partly through improved operating practices. For instance, in 1921 it took 135.3 pounds of coal to move a thousand tons of freight and cars for the distance of one mile; in 1930 this figure was 112.7 pounds. In 1921 the payments made by the Canadian Pacific for loss and damage to freight amounted to 1.54 cents per dollar of freight and switching revenue; in 1930 this figure was .476 cents, representing one of the best performances on this continent. In 1921 the train operating cost of hauling one thousand tons of freight and cars one mile was 85.56 cents; in 1930 this cost was 57.50 cents.

The Company expended from 1920 to 1930, \$219,255,331 on additions and betterments to its railway property, made up as follows:

New lines	\$69,697,347
Additions and betterments	
to roadway	77,872,835
Rolling stock equipment	71,353,884
Lake and river steamers	<u>331,265</u>

\$219,255,331

The period under review has, as I have stated, seen constantly increasing competition between the



railways. I do not think that I can with propriety anticipate your appraisal of a situation which involves investment of such huge proportions, and which is attended by as many perplexing complications, but it must be conceded that too high a price can be paid for the advantage of competition. This applies both to service and to expenditures on works of expansion and development. At the same time, I believe you will find that Canada has a land transportation service equal in quality to that of any other country, that its producers enjoy the lowest scale of freight rates per mile on bulk commodities that exists anywhere, and that an unusually large proportion of the population are dependent for their means of livelihood on the continuous operation and prosperity of the railway companies. That the extent and intensity of the competition to which I have referred is not warranted under present day traffic and earnings conditions has been recognized by the railway companies, and the Executives of the two companies have willingly cooperated in reducing costs where joint action was desirable and possible. We have by mutual agreement, reduced passenger train services and inaugurated new practices for purposes of economy. Discussions on these subjects have been practically continuous during recent months and have followed numerous others for the joint use of terminals and trackage. There is, however, a limit to which competing systems can go in acts of cooperation so long as they are distinct and independent units under different ownership. I do not mean to suggest that this limit has been reached, but that it will be at least approached during the next year would seem to be reasonably certain. I would draw

the attention of the Commission to the fact that the savings through this form of cooperation are necessarily restricted as they affect a series of local situations. It cannot change the general situation which rests upon strong competition between the two systems. It may be expected furthermore that when normal conditions are re-established in Canada, public demands upon the companies will be increased, and they will be exacting. A publicly owned railway is particularly subjected to such demands, and, because of that fact, its private competitor is under additional pressure.

Due account will, no doubt, be taken by your Commission of forms of competition by which encroachments are being made on the earnings of both companies. It has been the policy of this country to develop and improve our waterways where possible, to make them available for the movement of traffic. As no tolls are charged, the interest on the investment involved is paid by the general taxpayer, and this permits the application of rates of carriage below the cost of railway operation. Whether this policy should be pursued on the present or on a larger scale should be a matter for your consideration, giving appropriate weight, of course, to the incidental advantage which might be attached to such national works. The competition of the private automobile, buses and trucks has made serious inroads on railway traffic in this country as it has done in other parts of the world, particularly in the United States. It has been suggested that the railway companies should have grappled with this menace earlier, and made representations to legislative bodies for some form of pro-

tection, but the reply to that is that the situation had to reach a certain point before it could be comprehended and its consequences recognized and not merely surmized. Canada has been to an especial and peculiar extent dependent on railway lines for the opening up of its territory and the maintenance of a proper relationship between the industrial East and the agricultural West. If the railways are to be reduced to a supernumerary position in the transportation field and used only as a convenience when other means are not available, it is obvious that their future development policies must be revised to meet the new condition. It would seem not unreasonable to suggest that as the railway companies are required to provide their own right-of-way, to submit to regulation in the matter of service and rates, to pay out large sums in municipal, provincial and federal taxation, competing agencies should likewise pay their proper share of the expenses of government administration, and assume all the obligations imposed on existing common carriers.

Whatever the opinion which may be formed by this Commission as to the relationship which should exist between the two major railway systems, or between either or both and the state, there are certain broad considerations which I commend to their consideration. The direct and indirect financial obligations of this country are enormous, when it is remembered that they must be borne on the shoulders of ten million people. Some not familiar with the assets, tangible and intangible, on which we can rely might regard the load as crushing, if not ruinous. But while denying our inability to master

successfully our present problems, we must admit that somewhere in the offing is a definite breaking point. Before the situation becomes dangerous we must take measures to reduce the imposts on individuals and on industry. We should increase the volume of production and multiply the number of producers. At a time when we have many citizens unemployed and when our most important products are vainly seeking profitable markets, it may appear inopportune to press such a suggestion. Nevertheless, along that line and no other lies the road to permanent prosperity. We must secure by such means as lie in our power stable markets for our major products, to absorb not only what we now produce but a much greater volume. When the world again reaches normal conditions with respect to international exchange and trade, the obtaining of such markets should not be an insuperable task. We should be able to undersell any possible competitor as far as the products of our farms, mines and forests are concerned. We have inexhaustible reserves in soil, mineral deposits (including coal) and timber. Although the hydro-electric power development in the country has been great, we have still many untapped sources of power. The handicap of distance is largely overcome by low freight rates to tidewater; we have a banking system easily adaptable to the ever-varying needs of trade and industry, and our system of government is such that capital can here seek a field of investment with every guarantee of security.

Having explained to you the position and prospects of the Canadian Pacific, and having suggested for your consideration certain general policies which might be considered for future adoption, may I briefly restate

the factors which have made it imperative that our transportation problem should have immediate attention:

FIRST, Canada is a country of great distances and relatively small population, with more railway mileage and railway facilities than it needs or can properly support under present day conditions.

SECOND, our freight rate schedule, which is the lowest in the world, during a prolonged period of lean traffic does not provide sufficient returns to meet the necessities of the railway companies. This schedule was designed to encourage the interchange of commodities between the eastern and the western portions of the country, and to foster our foreign trade. I am doing no more than indicating this fact because, obviously, the remedies and the character of them to be provided through changes in freight rate schedules, is a subject which by statute is referred to the Board of Railway Commissioners. All freight rates in Canada are subject to the approval of the Railway Commission -- and most of them have been determined by the Board after long hearings -- save those on grain and grain products in Western Canada which are fixed by statute known as the Crow's Nest Pass Act and supplementary legislation.

THIRD, at a time of subnormal traffic, the situation has been aggravated by severe competition between the railways themselves and between them and outside highway transportation agencies. The exact extent to which rail lines have lost in traffic to motor competition cannot be accurately determined, but the companies have prepared a great deal of information on

the subject which will be made available to the Commission.

Your Commission has been entrusted with a great responsibility and is faced with a task bristling with difficulties. In discharging that task you will have the sympathy and goodwill of the Canadian people who fully recognize the extent of the sacrifice of time and effort you have undertaken to make. Undoubtedly your inquiry will do much to clarify the situation, and your report will be awaited in the confident hope that it will afford both light and guidance.

That, Mr. Chairman, concludes the memorandum which I have prepared.

I have referred to the rate situation in Canada, and I would like to say a word about it in very general terms. I appreciate that it is one of the circumstances that you are justified in taking into consideration in dealing with our general transportation problem, and this regardless of the powers conferred upon the Board of Railway Commissioners. Railway rates in Canada have been never quite adequate, based upon comparisons with those existing in the United States. They have always been fixed in relation to the Canadian Pacific Railway, because it was the cheapest operated railway, and the wealthiest; and I think the fact that the Canadian Pacific was in past years able to operate under these rates and still earn adequate revenues was one of the considerations that influenced the Commission in their various rate deliberations. It seems to me that rates must be given their proper place, but no more than their proper place, in your consideration of this subject. In my judgment, increased railway rates is not



the panacea for our difficulties that some people are apt to think. To begin with, we cannot make increases as readily as we could a few years ago. We are held down by competitive conditions both on water and on land, and some of those conditions are comparatively new. It is true that transportation companies are entitled to a fair rate for the services that they perform in the public interest, and that rate should have relation to the cost and the value of the service. But we are in a period of acute depression, and the producers and manufacturers of Canada have felt the consequences of that depression almost as much as we have ourselves. To ask that there be made applicable a freight increase sufficiently large to rehabilitate these railways completely and give them adequate earnings is, I think, asking a little too much. I believe, therefore, that it has its place in the scheme of things, but whether or not you would think or will find after your deliberations are concluded that that would be a cure for our ills, I have grave doubt. I do not believe that standing by itself, important though it may be as a factor, it would be sufficient to correct the obvious disabilities under which the railways are labouring at the present time. I appreciate, too, sir, that we cannot very well --

THE CHAIRMAN: Are you referring now, Mr. Beatty, to the general rate level, or especially to the situation created by the Crow's Nest Pass legislation?

MR. BEATTY: As to that, sir, I am speaking of the general rate level. But the Crow's Nest Pass situation is one, of course, that has special phases and features that I think are peculiar to this Dominion. The Crow's Nest Pass rates were put into effect in consequence of an agreement

made by Sir William Van Horne in 1897 whereby the Government of Canada gave a subsidy of either \$3,200,000 or \$3,400,000 for the construction of the Crow's Nest Pass Railway. Sir William thought that grain rates would always have to be low in Canada, because of our distances; that the producer was under a handicap; he had to get to tidewater; he had to sell his grain, if it was export grain, as it was expected it would be, in Liverpool, and therefore it was absolutely essential in the national interest that the rates from the prairies to Fort William -- and those were the only rates under consideration at that time --

THE CHAIRMAN: Grain rates, through rates?

MR. BEATTY: Yes, through rates based on Fort William -- that they had to be low. Well, that was a national view; the rates, of course, were political rates, in a sense. Then following that, only a year or so later, Sir William Mackenzie made his agreement with the Province of Manitoba which reduced the then rates, consequently between then and the war period the Crow's Nest Pass rates were never in effect. They were lower rates, and those were the rates which the Mackenzie and Mann agreement with Manitoba made inevitable. Those rates were established again, of course, as part of a contract under which the railway received consideration from the Government of Canada. We have suffered by distances in Canada, and this was one of the compensations that in 1897 we deliberately gave to the West in order to aid western development. Now, the theory of those rates has been continued by statute ever since -- only temporarily disrupted or interrupted during the period of the war -- and later the scale was

extended not only to the rates to Fort William, which was the only outlet in 1897, but to the Pacific Coast, and to branch lines which were not in existence at the time the original agreement was made.

THE CHAIRMAN: Then I suppose Sir William Van Hornes' consideration would be applicable only to the rates that were subsequently in effect.

MR. BEATTY: The same theory was considered, sir, as being sufficient to justify special treatment with respect to those rates.

SIR JOSEPH FLAVILLE: You mean special treatment by Parliament?

MR. BEATTY: Yes sir. I am only mentioning that to show the difficulty we would have in convincing governments and others that a blanket increase in all rates should be granted to us. We would immediately meet very powerful political and national objections.

LORD ASHFIELD: And commercial objections as well.

MR. BEATTY: Not so much commercial objections, Lord Ashfield, because it was largely the position of the producer in Western Canada that induced this special treatment. It was an attempt to encourage our agricultural pursuits in the West.

THE CHAIRMAN: They would be commercial in so far as a large number of producers out there are interested in these rates.

MR. BEATTY: Exactly.

LORD ASHFIELD: They might object if there was any increase in the rates.

MR. BEATTY: They would get that much less for their grain.

THE CHAIRMAN: The price of their product is ultimately fixed by circumstances over which they have no control?

MR. BEATTY: Absolutely, in Liverpool -- a world market condition.

THE CHAIRMAN: So that the higher the rate the less the ultimate yield.

MR. BEATTY: Yes. Now, supplementary to this statement that I have made, we have prepared all the information which Sir Joseph Flavelle asked for, as well as a schedule in a separate volume of all our figures for the past ten years, given year by year and under various groups. Accompanying that is a running comment on all the items that appear in the schedules, and the explanation for them. For example, there is an explanation of our construction programme, where the money was spent, and why; that we carry through practically all our capital expenditures. I think you will find it very complete. This will be filed with the Secretary for your consideration, and the other documents to which I refer in my memorandum will of course also be filed; you will find them of great historical value to you.

I thought I might make this suggestion, sir. You naturally expect that the railway executives have very definite views on the subject of the general situation in Canada as it affects the transportation companies, and I had thought that perhaps at some stage of your deliberations you would like to have those views in extenso. But I did conclude that perhaps it would be wiser to allow the situation to develop in your own minds through your own investigations before those views and the soundness or unsoundness of

them were submitted to the Board. If, for example, we could say that increase in traffic which could be reasonably expected in the next few years would cure our present railway disabilities, there would be very little for us to do. But the Board, and I am certain the railway companies themselves, cannot anticipate any such development of traffic as will result in improvement in our gross earnings sufficient to carry this railway obligation easily in the interests of the whole country. If that is a reasonable deduction, then of course we are forced to consider other means of accomplishing the same result, other methods of lightening the burden on the country. That brings the Commission face to face with what measures can be reasonably adopted which will be practicable and feasible and acceptable from the standpoint of the country to make those economies. That is your problem. It is going to force the Commission, it seems to me, to consider many different expedients and by process of elimination to get to the one that offers the greatest hope of success. In fact I think I can safely say that the major consideration in the first instance at all events will be a question of economics. There are many other factors to be considered, no doubt, but so far as this Board is concerned, if I read rightly the terms of the order in council, the duty imposed upon you is to find out what can be done, and then on the receipt of your report the Government will determine, from its own standpoint and that of its responsibilities, whether what you recommend can be done. So that in discussing the matter it would be perfectly futile, I think, for the railway presidents or the other officers to take up with you the question of outside or political considerations which might be involved in any possible con-

elusion you reach.

LOD ASHFIELD: That is a labyrinth to which we have not any clue.

COMMISSIONER LEMAN: Is it not a fact that during the last two years all forms of inland transportation, by water, rail and highway, have been unprofitable?

MR. BEATTY: In that, Mr. Lemman, you are speaking of lake transportation?

COMMISSIONER LEMAN: Lake, rail and highway.

MR. BEATTY: As to the first two, the answer would be yes. As to the third, I do not believe we have sufficient data to be able to answer. But I might say in respect of that that some months ago the two railway companies formed a committee to make a special study of road transportation. That committee has concluded its work and has prepared a very useful volume, accompanied by charts and drafts of various kinds, which in a day or two will be ready and available to this Commission. In my consideration of it, it is a very useful document.

THE CHAIRMAN: When do you think that will be ready?

MR. BEATTY: I think we can let you have copies of the text -- I am not sure about the drafts -- some of them to-day.

THE CHAIRMAN: It would perhaps be an advantage to us to have them on our journey out, and you might have the complete report for Vancouver?

MR. BEATTY: We could have it so it would reach you in Vancouver.

COMMISSIONER LEMAN: That covers both freight and

passengers?

MR. BEATTY: Yes.

SIR JOSEPH FLAVELLE: When you speak of roads, you are not referring to the railways but rather to motor traffic of various kinds?

MR. BEATTY: Yes, on the highways -- trucks and buses, what it has amounted to, its growth, and the principles we think should be invoked in the way of control or regulation.

COMMISSIONER LORÉE: It does not deal with the water-borne traffic?

MR. BEATTY: No. The history of our water-borne situation in Canada, Mr. Lorée, is a very simple one. We have had two or three main arteries mostly connected with the Great Lakes; they have been there for years and there has been no change except in the extent of their use. The principle of operating our canals has not been changed. We know it is a heavy burden, and we know that if the cost were allocated to the traffic moving through the canals, there probably would not be any traffic. The burden is borne by the country, as it is in your country, I think -- a somewhat similar situation, any way. We have not the pipe line situation in Canada as you have, neither have we been affected up to date by aviation to any considerable extent. Our sole competition is with water and highway transport.

COMMISSIONER LORÉE: I should think that the costs of water-borne traffic can be broken down just as we break down our railway costs. It would be illuminating to have some figures that would show the contribution made by the Government with respect to water-borne traffic, as well as

the investment of the private owner, having in mind also the long periods of interrupted traffic movement by water dependent upon climatic conditions. It seems to me it is a subject we shall frequently hear discussed, and we have no figures with regard to it.

THE CHAIRMAN: I think the cost of the canals is given in the Drayton-Acworth report.

MR. BEATTY: And the Department of Railways and Canals, I believe, have official figures, brought down to date, and also the tonnage passing through the canals.

THE CHAIRMAN: We have no figures as to investment and wages.

MR. BEATTY: No, nor have you any figures that give the results of the operations on the lakes by independent steamship companies, save the annual reports of the Canada Steamship Company. I do not suppose that comes within the purview of this inquiry, not being a railway company.

THE CHAIRMAN: Not directly, perhaps, but as an element of competition. The order in council, I think, is broad enough to enable us to consider it from that point of view.

MR. BEATTY: To enable you to get the information -- I think so, sir.

SIR JOSEPH FLAVELLE: Of course you will recognize, Mr. Beatty, the difference between water-borne traffic, where the entire cost of the canal service is carried by the state, and the land carried traffic. The state could not undertake with any form of propriety to absorb into the general taxes the entire cost of the national properties and set them free from any fixed charge as they do the water-borne traffic; as a great private corporation

your property would practically be destroyed by such an act; which would make it fundamentally different from the water-borne traffic.

MR. BEATTY: Quite. As a matter of fact, Sir Joseph, it has been estimated -- Mr. Loree will know more about it -- that in the United States the interest on their water-borne traffic if paid to the railways would allow the railways to haul certain commodities to the seaboard for nothing, and the Government would still be ahead. I have no doubt that is true.

COMMISSIONER LOREE: The State of New York about 1824 began the construction of the Erie Canal. About the beginning of this century it was called a barge canal. Chauncey Depew, who was president of the New York Central, estimated that for the interest on the money already invested or the interest on the money proposed to be invested in that project he would transport all the grain from Buffalo to New York for nothing.

SIR JOSEPH FLAVELLE: Of course one has to remember that in the early days of this country the only means of communication was by water and that the governments of those days made the necessary connections between the waterways by means of a series of locks; otherwise there would have been no communication. Having started that, they kept it up to the end.

MR. BEATTY: At that time it was not so serious a matter, Sir Joseph, but now each waterway project becomes more elaborate than the last, permitting the utilization of larger vehicles of commerce which enter into competition with the land lines.

COMMISSIONER LOREE: What is the maximum haul for

the 25 cent rate under the Crow's Nest arrangement?

MR. COLEMAN: It is approximately 1,300 miles -- that would be the approximate long haul.

COMMISSIONER LOREE: Do you recall roughly how many mills that would be per ton mile?

MR. COLEMAN: It figures out at an average of something less than 4/10 of a cent per ton mile, I think.

COMMISSIONER LOREE: What I had in mind was this: in dealing with labour questions from time to time the experiment has been tried of fixing a minimum wage and then having that wage fluctuate with the market price of the commodity. Having regard to the wide fluctuations in prices I was wondering whether it would be practicable to fix a minimum rate and then have that fluctuate as the price fluctuated.

MR. BEATTY: Of course it would be more equitable in that the carrier would receive an amount proportionate to the value of his services; the prices would be greater and there would be greater participation to some extent. It has never been attempted in any rate fixing on this continent so far as I know.

COMMISSIONER LOREE: What proportion of the revenue of the Western Lines is affected by the Crow's Nest Pass rates?

MR. BEATTY: Of course all the grain rates are now affected by the Crow's Nest Pass rate, because it has been made applicable to all the territory and in each direction -- to Fort William and to the coast.

SIR JOSEPH FLAVELLE: Does that represent any important percentage of the total earnings?

MR. BEATTY: Yes sir, grain is a very important

percentage.

SIR JOSEPH FLAVELLE: Have you the figures, off-hand?

MR. BEATTY: Yes. Grain and grain products for all lines, average of ten years, 29.4 per cent. That is the whole system, on the Western Lines.

SIR JOSEPH FLAVELLE: When you speak of the Western Lines you mean right through --

MR. BEATTY: Fort William to the coast.

THE CHAIRMAN: That means traffic both ways, does it?

MR. BEATTY: Yes. In 1928, which was a year of very good crop, our revenue from grain and grain products was 43.4 per cent of the total.

COMMISSIONER LEWIS: That is in dollars, not in volume?

MR. BEATTY: No, that is in dollars. I can give it to you in volume -- as measured in ton miles it would be 67.3.

SIR JOSEPH FLAVELLE: As you know, Mr. Beatty, the question before the Commission is a national one, having to do not only with the roads owned by the Government but with the whole problem of transportation. You indicated that you had been in communication with the executives of the National System with regard to some proposal the results of which would at a later time be available in the consideration of this problem as a whole. Would it be too much to expect that in your relations with a competitor you could give to the Commission the benefit of your united judgment as to what mileage in this heavily over-tracked country could be dispensed with? Has there been or will there

be any exhaustive study by your people as to the relief which might be given by a material reduction in the miles of railway operated?

MR. BEATTY: Yes sir, it would be possible for us to give you our views on that. Whether they could be entirely reconciled with the views of our competitors is a question. But we have discussed this problem at various stages and I do not know why we could not at least make the attempt to be in substantial accord as to what measures of that character could be adopted.

SIR JOSEPH FLAVELLE: I recall that when the Canadian National was formed one of the early acts was to take out the tracks of the Canadian Northern paralleling the Grand Trunk.

MR. BEATTY: Grand Trunk Pacific.

SIR JOSEPH FLAVELLE: No, that was a war measure. I am thinking of the front with which we are familiar here -- Port Hope and easterly. Is it possible that in such a case as this where your tracks run through the same territory you would have a sufficiently available source for moving the traffic you are interested in by arranging for running rights as you have between Toronto and Hamilton, for instance, instead of operating two systems which parallel one another for a long distance? You did not build between Toronto and Hamilton?

MR. BEATTY: No.

SIR JOSEPH FLAVELLE: You did not build because arrangements were made for running rights over the Grand Trunk System?

MR. BEATTY: We had projected our line between



Toronto and Hamilton and were just about to commence construction when the Grand Trunk invited us to use their property on very favourable terms, and we accepted their offer.

SIR JOSEPH FLAVELLE: I knew from the Grand Trunk people when I had occasion to be with them that you had very favourable terms. But I am thinking of the national point of view; I am not thinking now of the Canadian Pacific or the Grand Trunk or the Canadian National, but of the national interest. It occurs to me that where existing traffic would be carried over one line instead of over two there would be an important saving in maintenance. But would there not be an important saving if there were some consolidation, or in the case of the Canadian National, where they have two tracks of their own, running over one track instead of over two?

MR. BEATTY: The extent of the saving, Sir Joseph, would depend upon the extent to which you either abandoned or lowered the maintenance standard of the third track. Take our track between Smiths Falls and Toronto; we are double tracked to Smiths Falls or a little beyond, and then we have a single track through the towns you speak of to the outskirts of Toronto. The saving would depend on the extent to which you could either abandon that track entirely -- which would look to be rather extreme, because it is a very high grade piece of road -- or lower its maintenance so that the change would be much less than that which is necessary now to maintain a high speed line. There could be indicated to you if you care to have them.

SIR JOSEPH FLAVELLE: What I am thinking of is that ultimately we will be confronted with the problem: what are we to do with three lines of railway that are manifestly more than the country's present requirements call

for, and the operation of which under existing conditions places such a load upon both systems that it leads to the formation of this body to try to find out what can be done.

MR. BEATTY: You want to know, Sir Joseph, to what extent can the extension of the principle of joint trackage save money?

SIR JOSEPH FLAVELLE: Yes. Reasonable service is necessary for the public. Having regard to the formidable losses which are making the present conditions impossible I would respectfully suggest that our friends of the railways ought to be able to help us in an intelligent judgment as to what should be done.

MR. BEATTY: May I say this, Sir Joseph: The seriousness of the railway situation as a whole is of course due to the present conditions making it more acute. Our appreciation of it is quite different from what it was even two years ago. The remedy which you gentlemen may apply supposedly will be a remedy which is on such a firm foundation that it would stand hard times as well as good times; in other words, from the transportation standpoint it has to be, if you can make it so, basically sound. Now, the acuteness of the situation rests on this: as I told you, if the Canadian Pacific had its earnings of 1928 it would be paying 10 per cent and would have a very reasonable surplus. If the Government system had the earnings of 1928 they would be hopelessly in red figures on the interest to the public. That shows the pyramiding effect of fixed charges. At the end of this year the Government system, as the Minister said yesterday, must have a substantial deficit. That deficit is paid by the Government, the money is borrowed and the fixed charges are thus automatically increased.

Except in very good times that pyramiding will continue. How long can Canada stand it? That is the acuteness of the problem. As for ourselves, how long can we stand it? I do not fear that under anything like normal traffic conditions we cannot make fair earnings. We may not make elaborate earnings as we did in prior years, but I cannot conceive, for example, of the Canadian Pacific fixed charges being in jeopardy, because they are so low. However, the test of it must be this: the prosperity of the Canadian Pacific is important, and it cannot be really prosperous unless the whole transportation system is right. I am taking a long range view, and I should say that whatever solution you gentlemen reach should be as good fifty years from now as it is to-day. I think that should be the object.

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SIR JOSEPH FLAVELLE: Well, I am sure you will recognize that the personnel of any Commission which may be appointed for the purpose for which we are appointed can at best only exercise good sense and judgment concerning certain data submitted to them which may lead them to express a preference for A as against B. I suppose as regards these railways there would be the possibility of getting a group of independent engineers and a whole coterie of persons to report on what might be done with these properties. As expressed in your admirable paper, Mr. Beatty, you are thinking in terms of the national situation, but necessarily of course always bearing in mind your responsibility to your shareholders. Is it possible for our railway friends to come together in the spirit of helping us to understand from their experience some practical method whereby the purpose of this Commission can be effected by the recommendations we may make?

MR. BEATTY: I think, Sir Joseph, we can help you in this way: We can tell you what could be done, and what it would cost to do it, or what the saving would be through doing it.

SIR JOSEPH FLAVELLE: That is what you are contemplating at the later period when we come back with our views somewhat affected by what we see?

MR. BEATTY: Yes.

SIR JOSEPH FLAVELLE: Thank you.

COMMISSIONER WEAVER: You mean, Sir Joseph, alternative schemes -- separate operation, or unified operation under one organization or management. We need all such suggestions.

SIR JOSEPH FLAVELLE: I am thinking that as railway men they will explore the whole field and give us the benefit of their judgment.

MR. BEATTY: That is a very fair request, and I think we should comply with it.

SIR JOSEPH FLAVELLE: Although this is not the occasion to raise the question as to the duplication of expenditures in telegraph and express undertakings, will you at some time bring --

MR. BEATTY: That is one of the things we are discussing now, Sir Joseph. We have already had one or two discussions.

LORD ASHFIELD: In this memorandum that you are to prepare, Mr. Beatty, do you propose to deal with the question of competition with waterway traffic?

MR. BEATTY: Of course, we in Canada have been facing competition with waterway traffic for a good many years, with very little possibility of conditions being altered. We must accept the use of our Great Lakes for transportation. In fact we have accepted it to the extent that we have services on the ~~St. Lawrence~~ ourselves in conjunction with our railway. What I thought we could do for the information of the Board would be to show you the cost and the value of the facilities given to our competitors through imposts collected from the general tax payer. We can gauge the effective competition by that.

SIR JOSEPH FLAVELLE: That is the water competitor?

MR. BEATTY: Yes.

LORD ASHFIELD: I gathered that the memorandum you are preparing had to do with some suggestion which you made with respect to Sir Joseph Flavelle's point that you would be dis-

ing the Commission's efforts to arrive at some satisfactory solution of the problem. This memorandum is not limited, is it, to railway service alone?

MR. BEATTY: It was following Sir Joseph Flavelle's question. It was a railway question as I understood it. Is that true?

SIR JOSEPH FLAVELLE: We recognize that you cannot do away with the waterways, that the Great Lakes will be used. But you may be confronted with a heavier problem. Should it be considered good policy from the point of view of Canada and the United States that ocean going ships should be able to reach the head of the Lakes, it might not be good policy for the railways.

MR. BEATTY: Undoubtedly if our waterways were extended at national cost so as to give the opportunity for larger vessels to use our Great Lakes, or even to allow ocean going vessels to reach Fort William, Toronto or other places; if that becomes an actuality the railway lines will suffer the loss of traffic because the shipping companies will have better facilities for dealing with that traffic than they have today. The compensating feature to the railways may be that through the development of power that goes with the deepening of the St. Lawrence there may be an industrial stimulus which may provide additional traffic that we do not now enjoy; but otherwise we are bound to lose some traffic.

THE CHAIRMAN: I understand, Mr. Beatty, that the memorandum you are thinking of producing at a later stage will be limited to the specific things which have been mentioned. I rather hoped that you would go into the whole subject from your point of view in order to give us suggestions.

LORD ASHFIELD: If I may interrupt, you used a phrase

which sticks in my memory, one which seems rather a challenge to the common sense and good judgment and knowledge of this board, in suggesting that we are to legislate for the next fifty years. If we are to legislate for the next fifty years, we cannot of course ignore any phase of the problem of transportation, --

MR. BEATTY: Quite so.

LORD ASHFIELD: -- if we are going to deal effectively with the problem as a whole. You have said that the waterways are prejudicial to the interests of the railways. We accept that. Of course, the waterways must continue to grow, and you seem to express some alarm, if I may use that word, --

MR. BEATTY: Not alarm.

LORD ASHFIELD: -- as to the effect on your finances through the increase of the waterways. It is said that the existing waterways system may be enlarged. I wonder whether your contribution would deal with that question as well as with the question of road transportation and rail transportation per se.

MR. BEATTY: I presume that your board are competent under the order in council to take into consideration the question of the future of the rail lines; that is one factor.

LORD ASHFIELD: That is the very thing your memorandum is going to aid us to deal with in the wider sense, not simply limited to conditions of competition between the existing systems.

MR. BEATTY: We were a little at cross purposes there I think, Lord Ashfield, because Sir Joseph's question was limited I thought to the railway situation between ourselves, while you as I understand extend it to the factor of water competition as well.

THE CHAIRMAN: It is an element that we cannot ignore, but I hardly think it is within the intent of the order in council that we should go into the subject of such a development as the deepening of the St. Lawrence waterway. It might be a subject for subsequent inquiry.

MR. BEATTY: I do not think so, sir. You would have to recognize its existence possibly.

THE CHAIRMAN: Yes. Of course you and your coadjutors of the Canadian Pacific Rail Co. as well as the officials of the Canadian National have undoubtedly given every aspect of this subject far greater consideration than has anybody else, and I am looking forward to receiving from you all the suggestions you may make. I do not mean merely joint suggestions, I mean your own views. Probably it would be better for us to have them at a later stage after we have more familiarized ourselves with the facts.

MR. BEATTY: I think that is fair, sir.

COMMISSIONER LOREE: One of the questions Sir Joseph asked has suggested something to my mind. When railways were built stations were established at intervals of about five miles because the highways were of great service and the vehicles on them were horse drawn; that was a great convenience to the public. Now with improved roads and motor vehicles ten mile intervals would be even more adequate than the original five mile limit. I have been diligently endeavouring to eliminate stations on which we are losing money. Of course, I fancy that that would not be the case in western Canada; but in this settled portion of the Dominion where the roads are well developed I wonder how far that policy could be pursued.

MR. BEATTY: Very considerable progress has been made



in that way, Mr. Loree. Of course, I do not know what your legal requirements are, but we have to get the approval of the Railway Commission before closing a station lest the public convenience be affected. We have several applications pending now.

COMMISSIONER LEMAN: Mr. Beatty, as a railway man do you consider that your hotel system is part and parcel of your transportation system?

MR. BEATTY: Yes, I do, Mr. Lemman; that is the excuse for its being there. The Canadian Pacific's embarkation into the hotel business, which is of many years duration, has been due to the fact that we felt under an obligation either to encourage tourist traffic by that kind of hotel or to take care of our own travel where hotel facilities were not available. At the beginning of our campaign with respect to hotels we were the only company willing or able to provide these facilities. That is responsible for our hotel system in western Canada.

COMMISSIONER LEMAN: I put the question because it is really one of the matters we may want some data upon.

MR. BEATTY: There is very full information in our statistics.

SIR JOSEPH FLAVELLE: Does the information you are supplying go to the length of showing whether the hotel system as such is self sustaining?

MR. BEATTY: Yes, Sir Joseph, it gives all the earnings.

SIR JOSEPH FLAVELLE: Do you show fixed charges against the hotels for bonded indebtedness?

MR. BEATTY: No; we have no securities issued against our hotels.

SIR JOSEPH FLAVELLE: But the money is in them?

MR. BEATTY: Oh yes.

SIR JOSEPH FLAVELLE: Therefore in estimating the results of your hotels do you charge them with interest on the investment.

MR. BEATTY: No, Sir Joseph. We show the rate we charge in the exhibit. It varies of course.

THE CHAIRMAN: We will have an opportunity of going into that further.

MR. BEATTY: Yes.

LORD ASHFIELD: In this memorandum, Mr. Beatty, will you go with some detail into the question of road transportation?

MR. BEATTY: Yes, Lord Ashfield.

LORD ASHFIELD: Will you explain what power your company has to operate road vehicles?

THE CHAIRMAN: Has your company any power to operate road vehicles?

MR. BEATTY: Nothing special.

THE CHAIRMAN: Can you operate road vehicles?

MR. BEATTY: I think so, sir. There is nothing either for or against it in our charter.

THE CHAIRMAN: Do you in fact run them?

MR. BEATTY: A few.

THE CHAIRMAN: Not an extensive system?

MR. BEATTY: Yes.

THE CHAIRMAN: Are they remunerative?

MR. BEATTY: Oh yes.

LORD ASHFIELD: In England railway companies have to do it by Act of Parliament.

MR. BEATTY: We have a special charter. It is a charter you are tolerably familiar with, Mr. Chairman.



THE CHAIRMAN: We can possess ourselves of it.

COMMISSIONER LOREE: To what extent is the English practice of delivery and collection of freight followed in Canada?

MR. BEATTY: We have the ordinary terminal facilities exactly the same as you have in the United States, Mr. Loree.

COMMISSIONER LOREE: Store door collection and delivery?

MR. BEATTY: No sir. I am not familiar with the English practice.

COMMISSIONER LOREE: They have two sets of rates -- station to station rates with platform and delivery service, and the collection and delivery rate which goes to the store door. Their reports show that last year four railroads lost \$6,000,000, and the year before \$6,200,000. I wondered whether that was the practice of the Canadian Pacific.

MR. BEATTY: No sir, we have none. Ours is the same as your own.

THE CHAIRMAN: If there were any question as to the powers of the railway companies with respect to road transport, and we considered it advisable that to some extent the companies should enter into that business, I do not suppose there would be any difficulty whatever in getting the necessary powers.

MR. BEATTY: I do not think so unless they were protecting the road companies.

COMMISSIONER LEAN: Of course, that to a certain extent would come under provincial jurisdiction, would it not?

MR. BEATTY: Yes.

COMMISSIONER LEAN: There are commissions, I think, in the various provinces which look after the highway traffic.

MR. BEATTY: I do know that Manitoba has a public



utilities commission whose duty it is to do so.

COMMISSIONER LEMAN: So has Quebec. They regulate routes.

MR. BEATTY: They grant licenses.

COMMISSIONER LEMAN: Exclusive licenses.

MR. BEATTY: They can.

COMMISSIONER LEMAN: And they do.

MR. BEATTY: But they have no rate regulating powers.

COMMISSIONER LEMAN: But they grant exclusive licenses over certain routes.

MR. BEATTY: But they do not regulate rates; the imposts that the carrier charges are his own affair.

COMMISSIONER LEMAN: But supposing the rights were existing under the charter, would there be a conflict between federal and provincial jurisdiction?

MR. BEATTY: Unless we have the right in our charter, implied or otherwise, I presume we would have to appeal to the provincial authorities for the power.

COMMISSIONER LEMAN: I think the province of Ontario also has a Commission which deals with that work.

SIR JOSEPH FLAVELLE: I do not know.

COMMISSIONER LEMAN: I think they have.

SIR JOSEPH FLAVELLE: Mr. Beatty, in the preparation of your memorandum which is practically ready have you attempted to measure the significance of public opinion which may be affected by the attempt to regulate a service that is growing in importance?

MR. BEATTY: Yes.

SIR JOSEPH FLAVELLE: One can recognize that the railways on the one side are confronted with a competitor growing in importance, and on the other side with water borne traffic.



Now have you considered the effect on public opinion of saying that for the sake of the railways the community shall be denied the advantages which they have by this new means of traffic?

MR. BEATTY: Yes, Sir Joseph, we have given weight to it.

SIR JOSEPH FLAVELLE: You have given consideration to that aspect?

MR. BEATTY: Yes, Sir Joseph.

Mr. Chairman, Mr. Hall and Mr. Hungerford are both here should you require any technical assistance.

THE CHAIRMAN: We have been considering the question.

COMMISSIONER LOREE: Mr. Beatty, has the company ever prepared a map showing the density of traffic on the different routes?

MR. BEATTY: I do not think so. We have of course statements of statistics which would indicate the density of traffic by divisions.

COMMISSIONER LOREE: You have never illustrated that traffic graphically?

MR. LLOYD: We had it in a rate case some years ago.

COMMISSIONER LOREE: I brought up, Mr. Chairman, a map of the eastern district of the United States which I shall be glad to turn over to Mr. Beatty.

MR. BEATTY: We can adopt the same practice. Of course it would have to be a year to year map showing the changes every year.

COMMISSIONER LOREE: I do not think you need go as far as that, but you might give us a full year like 1929, and perhaps 1920.

MR. BEATTY: That would be very informing and very

easily done.

SIR JOSEPH FLAVELLE: Mr. Beatty, on the question you raise about Mr. Hungerford and Mr. Hall or any other of your officials, your assistants will know better than we can the officers who might be good enough to come with us to help us in our conversations as we come across certain things. I understand your chief engineers are going?

MR. BEATTY: Yes, and our chief operating officers are going west of the Great Lakes, and our statisticians and their assistants. I think you will have all the technical assistance you can use.

SIR JOSEPH FLAVELLE: That seems to cover it.

THE CHAIRMAN: Thank you very much, Mr. Beatty. I am sorry we kept you waiting so long.

(At 12.30 p.m. the Commission adjourned.)

ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

The Royal Commission appointed to inquire into the whole problem of transportation in Canada, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable future developments of the country, met at the Parliament Buildings, Victoria, B.C., on Thursday, December 10, 1921.

PRESENT:

RIGHT HON. LYMAN POORE DUFF, P.C.,	Chairman
RIGHT HON. LORD ASHFIELD	} Commissioners
SIR JOSEPH W. FLAVELLE, Bart.,	
BEAUDRY LEVAN, Esq.,	
LEONOR FRESHFIELD LORIE, Esq.,	
WALTER CHARLES MURRAY, Esq.,	
JOHN CLARENCE WEBSTER, Esq.,	

Arthur Meeson, Esq., K.C., Secretary

George W. Yates, Esq., Assistant Secretary

Executive Council

- Hon. S. F. Tolmie, Prime Minister and Minister of Railways,
Hon. H. L. Howe, Provincial Secretary and Commissioner of Fisheries,
Hon. A. H. Pooley, K.C., Attorney-General,
Hon. E. C. Loughheed, Minister of Lands,
Hon. J. W. Jones, Minister of Finance and Minister of Industries,
Hon. W. Atkinson, Minister of Agriculture,
J. E. Griffith, Esq., Deputy Minister and Chief Engineer of Railways,
G. P. Napier, Asst. Chief Engineer and Acting Deputy Minister, Public Works

Ottawa on Friday, and we left for the west on Saturday. Our speedy departure was really necessitated by various circumstances, one being that we considered it was desirable for all the members of the Commission to have an opportunity of getting a bird's-eye view of the country before we devoted ourselves in detail to the matters which it will be necessary for us to examine.

As you know, we have been asked to examine the whole transportation problem, particularly in relation to the railways, in view of the increasing deficits on the Canadian National and the diminishing returns on the Canadian Pacific, and the various factors which seem to conduce to that result, notably the competition of highway vehicles, motor busses and the like. We shall be glad to have any assistance that you think you can give us in regard to any of these matters.

HON. MR. TOLMIE: Yes.

THE CHAIRMAN: We felt from the beginning that it was important we should have conferences with each of the Provincial Governments in order to have the advantage of their views on matters with which they are necessarily well informed, not only in an official but in a perfectly authentic way. We thought that that was the proper method of making ourselves acquainted with matters especially affecting each province.

HON. MR. TOLMIE: Are you keeping your investigations strictly to the two transcontinental railways, or will you include a road like the Pacific Great Eastern, which is rather an important railway to this province?

THE CHAIRMAN: If there are any representations you wish to make with respect to that particular railway, we

shall be glad to receive and consider them in connection with the whole problem of transportation.

HON. MR. TOLMIE: Would you include the proposed extension into the Peace River country so as to give the people there a tide water outlet to the Pacific?

THE CHAIRMAN: We shall be prepared to receive representations with regard to that, Mr. Prime Minister. It will be a matter for later consideration as to what bearing these subjects have on the general situation.

HON. MR. TOLMIE: And how strong we can make our brief.

THE CHAIRMAN: Yes.

HON. MR. TOLMIE: Does this investigation include our local steamships?

THE CHAIRMAN: What do you mean by local steamships?

HON. MR. TOLMIE: I mean the coast steamship lines.

THE CHAIRMAN: Our investigation would include the coasting service only insofar as that is part of either railway system.

HON. MR. TOLMIE: As you know we had the two lines of boats running until pretty late in the summer: The Princess line operated by the Canadian Pacific Railway, and the Prince line operated by the Canadian National. All the Prince boats have been cut off.

THE CHAIRMAN: Our investigation does involve all those matters.

HON. MR. TOLMIE: These boats operated up and down the coast and also on the triangle trip -- Vancouver, Victoria and Seattle and then back again.

THE CHAIRMAN: Yes. Our investigation, as I

mentioned, does include the matter of highway traffic insofar as it affects the railways.

HON. MR. TOLMIE: I could call in a deputy Minister who could give you some information on that now. Or would you prefer to have that at the public sittings?

THE CHAIRMAN: I think, Mr. Prime Minister, it would be more convenient for us to discuss any matters in conference with one of your deputies, unless there is something that you and the government generally think he should present to us in public. Our view is that so far as representations by officials of the government are concerned, it would be more convenient that they should be made here in your presence and in the presence of the Commission.

HON. MR. TOLMIE: Allright, I will tell the deputy to speed up. You have half an hour here, anyway, before your meeting in the Court House.

THE CHAIRMAN: Would it be convenient, Mr. Prime Minister, in the event of the deputy's statement not being completed at this stage to return here after the public meeting and have it finished?

HON. MR. TOLMIE: Yes; or if you like you can hold your public meeting first and then come back here.

THE CHAIRMAN: I think we would prefer to do that and so keep our appointment at the Court House.

HON. MR. TOLMIE: Very well, Mr. Chairman. This is Mr. Napier, Acting Deputy Minister of Public Works, and Mr. Taylor his assistant. Mr. Napier, these gentlemen think they would prefer to keep their appointment at the Court House at ten thirty and return here later. You will please see that everything possible is done to facilitate the work of the Commission.

The Commission adjourned to the Court House for the purposes of the public meeting called for 10.30 a.m.

The Commission resumed at the Parliament Buildings at 12.15 p.m.

THE CHAIRMAN: Mr. Napier, on the subject of highways, perhaps you will first explain the general situation.

MR. NAPIER: With respect to public carriers on highways?

THE CHAIRMAN: Yes, particularly.

MR. NAPIER: I think the memorandum filed pretty well covers that.

THE CHAIRMAN: That you have covered in the written memorandum?

MR. NAPIER: Yes sir.

THE CHAIRMAN: You have everything here that you would like to put before us?

MR. NAPIER: I think everything is here that you require.

THE SECRETARY: There are certain exhibits submitted, Mr. Chairman, and we have not yet been over them.

THE CHAIRMAN: Would you like to give an oral sketch of the subject, Mr. Napier?

MR. NAPIER: I think if your Secretary had an opportunity of going through these papers he would then be in a position to advise as to the exact information you would wish to have submitted.

THE SECRETARY: Additional information.

MR. NAPIER: Yes.

THE CHAIRMAN: And you can submit it in writing?

MR. NAPIER: Yes.

THE CHAIRMAN: So that if after going through the papers we address to you a series of interrogatories you could cover it in that way?

MR. NAPIER: Yes.

THE SECRETARY: An interesting feature of the highway situation here, Mr. Chairman, is that there is an attempt to regulate tolls and charges, which I understand is not done in the prairie provinces.

MR. NAPIER: We supervise them.

THE CHAIRMAN: What is the administrative body which exercises the supervision?

MR. NAPIER: The Minister of Public Works, sir.

THE CHAIRMAN: You have not set up an autonomous body at all?

MR. NAPIER: No.

SIR JOSEPH FLAVELLE: May I ask whether the memorandum deals with the question of highways versus railways?

MR. NAPIER: No sir.

SIR JOSEPH FLAVELLE: You have no such situation here?

MR. NAPIER: Yes, we have -- unfair competition.

SIR JOSEPH FLAVELLE: I am referring to the Island of course.

MR. NAPIER: Yes, on the Island. The Island highway parallels the Esquimalt and Nanaimo Railway.

THE CHAIRMAN: Which is the C.P.R.?

MR. NAPIER: Yes, a branch of the Canadian Pacific. The highway parallels it for the whole distance.

THE SECRETARY: The memorandum deals only with the

statistical phases of the matter -- regulations, license fees, and so forth.

MR. NAPIER: That is so.

SIR JOSEPH FLAVELLE: May I ask Mr. Napier if he has any definite views as to a just arrangement for regulating the rivalry between the railway carriers and the motor transport?

MR. NAPIER: We have always felt that sooner or later that would have to be done, but we recognize that it is only the Board of Railway Commissioners for Canada who can deal with a matter of that sort, so we have not dealt with it.

THE CHAIRMAN: I am afraid I do not quite follow that.

MR. NAPIER: Well, it was a matter which applied to the whole of Canada. It was not merely a provincial matter and it would have to be made uniform across Canada.

MR. POOLEY: There is a schedule, Mr. Chairman, I should like to file with you, dealing with the matter of license fees applicable and taxes on heavy motor trucks operating on Government roads, which automatically compete with the railways, who are our biggest taxpayers. I have in the office a very interesting statement embodying statistics compiled last year, showing the different fees charged by every state in the Union with respect to motor trucks. In British Columbia the license fee on a seven and a half ton truck -- I speak from memory -- is \$140 or \$150 a year, while in some states of the Union they run as high as \$1,400 a year, evidently having in mind the competition with the railways. These people are taking away business from

the railways; they are using the Government roadway for that purpose, and paying no taxes of any kind. Evidently that is the reason for some of the heavy license fees which are imposed in the United States, running as they do from \$800 to \$1,500 a year on each truck operating on the highways. Perhaps something of that nature might eliminate a great deal of this competition.

THE CHAIRMAN: We shall be glad to have that memorandum, Mr. Pooley.

SIR JOSEPH FLAVELLE: It will be very interesting indeed.

MR. POOLEY: I think I have extra copies in my office, and I will get one for the Commission. Only a month ago I sent copies of that very schedule to each of the western provinces, Alberta, Saskatchewan and Manitoba.

THE CHAIRMAN: The Department has not considered the question of regulation from that point of view?

MR. NAPIER: No sir.

THE CHAIRMAN: Because after all there may be difficulties in the way of the Railway Commission dealing with that without the cooperation of the provinces --

MR. NAPIER: I am sure all the provinces would be very glad to cooperate with the Board to the fullest extent, although it is an exceedingly difficult matter for a provincial government to handle.

THE CHAIRMAN: Independently.

MR. NAPIER: You will appreciate the fact that the pressure brought to bear by the larger corporations is sometimes very difficult for a government to face.

THE CHAIRMAN: The attitude of this province is that it would be a matter of cooperation with the Board?



MR. NAPIER: I think they would be more than willing to cooperate with the Board.

THE CHAIRMAN: Have you gone into the matter from the point of view of arriving at any definite conclusion with regard to it?

MR. NAPIER: No sir.

THE CHAIRMAN: You have not really considered it?

MR. NAPIER: No, not sufficiently carefully. We have considered it in a general way. I do not know whether it is economically possible or not, but if the railways had modified their system to some extent through an effort to carry way freight on gas cars, for instance, I think the situation would never have arisen. That of course is a personal opinion.

THE CHAIRMAN: Would you mind elaborating your personal opinion?

MR. NAPIER: We are a poor province and we have a large road mileage -- some 19,000 miles of roads. Practically fifty per cent of the population is concentrated around Vancouver. The rest of the population is distributed, and we have to keep up this enormous mileage of roads, carrying very heavy traffic which we feel should go on the railways. Unquestionably this heavy traffic does a great deal of damage; it is the cause of petitions and pressure brought on the Government looking to improvement in the surfaces of these roads, the laying of hard surfaces; consequently we have to make an expenditure on our highways which is very much greater than we consider proper from an economic point of view. The tourist traffic all occurs in the summertime, and for that purpose the gravel roads are

quite adequate; their construction and maintenance is comparatively inexpensive. We do not feel called upon to build the more expensive structures, cement, concrete and what not, for the tourist, but we have to build it for the public carrier -- that is, the truck.

THE CHAIRMAN: What is the alternative that has occurred to you?

MR. NAPIER: I am not a railway engineer, and I do not know whether gas cars are designed to be practical things or not, but I think they should be.

THE CHAIRMAN: What do you mean by gas cars?

MR. NAPIER: Well, gasoline driven -- a single car on the railway.

SIR JOSEPH FLAVELLE: But your railway would touch only a narrow territory, would it not?

MR. NAPIER: Our main highways parallel practically all the main railway lines of the province, with the exception of the Pacific Great Eastern.

SIR JOSEPH FLAVELLE: Of course you are speaking of the entire province; I was thinking of the Island.

MR. NAPIER: Yes.

LORD ASHFIELD: Have you a record of the number of vehicles registered?

MR. NAPIER: Yes sir.

LORD ASHFIELD: Is it in the memorandum?

MR. NAPIER: Yes sir.

LORD ASHFIELD: Would the larger proportion of them be passenger vehicles?

MR. NAPIER: I think so, but I am not thoroughly posted on that. The information can easily be obtained.

THE SECRETARY: Do you distinguish between private and public passenger vehicles?

MR. NAPIER: Yes. The taxi driver, for instance, is excluded. The bus driver would be a public carrier.

LORD ASHFIELD: I have noticed a service called the Gray Line coaches.

MR. NAPIER: Yes, they run up the Island here.

LORD ASHFIELD: Will you explain how they get the concession or the right to operate such a service? Is this a typical instance of what happens throughout the province?

MR. NAPIER: No, that particular one is not. That originated as a company headed by Mr. Matson for the purpose of providing a bus line service to the Saanich peninsula. That was prior to the enactment of Part V of the act dealing with the public carrier; then when the Highways Act provided for the public carrier these people made application for ratification and extension of the franchise, and this was done. Under the terms of the act applications for license are made to the Minister, and if after inquiry he is satisfied that it would be in the public interest, the franchise or license for the performance of the duty of a public carrier is granted.

LORD ASHFIELD: Then to that extent at least such services are now under control?

MR. NAPIER: Oh yes, they are controlled.

LORD ASHFIELD: Do you suggest something more in the nature of control than you have now? You have rather indicated that the authorities, whoever they may be, have found it difficult properly to restrain the development of this sort of traffic in the province.

MR. NAPIER: It is a very difficult thing for the Minister of Public Works to say whether or not a service is required or whether or not a service is in unfair competition with the railways. The railway interests have the opportunity -- I do not know that they have ever availed themselves of it -- of making representations to the Minister.

LORD ASHFIELD: You mean that they have made no attempt themselves to operate this sort of service?

MR. NAPIER: No, they have made no attempt to compete, to enter into real competition with the public carrier; nor, so far as I know, have they placed before the Minister any objection to the granting of a license.

LORD ASHFIELD: And they have had that opportunity?

MR. NAPIER: Oh, they have had that opportunity.

COMMISSIONER LOREE: How long has the Gray Line service been in operation?

MR. NAPIER: For some four or five years now.

COMMISSIONER LOREE: With what result financially? Have they paid dividends?

MR. NAPIER: I think they are going to go broke finally.

THE CHAIRMAN: They have no railway up there.

MR. POOLEY: No, except the Canadian National, which runs from Victoria and has a shipping point at Sidney -- a barge ferry that goes out to Deep Cove.

THE CHAIRMAN: It runs only to Sidney?

MR. POOLEY: Only to Sidney, and then up to the Island to Cowichan Lake.

THE CHAIRMAN: Is that a passenger and freight

service, or a passenger service only?

MR. POOLEY: Freight service chiefly. They do not run passenger coaches to Sidney. They had a gasoline coach service to Cowichan Lake, which they discontinued a month or so ago, but that is chiefly a logging enterprise.

SIR JOSEPH FLAVELLE: When the Gray Coach line was instituted its purpose was to give service to a community that had no service?

MR. NAPIER: Quite so.

SIR JOSEPH FLAVELLE: And the community subsidized the Gray Line service as an inducement?

MR. NAPIER: They granted them an exclusive franchise and fixed the rates on the understanding that a certain service was to be given.

SIR JOSEPH FLAVELLE: The financial embarrassment of the company arises out of the fact that the service costs more than the community pay?

MR. NAPIER: That is so.

THE CHAIRMAN: Do I understand you to say that there was a subsidy from the provincial government?

MR. NAPIER: There was no subsidy -- no money payment to them.

SIR JOSEPH FLAVELLE: There was an exclusive franchise and a fixed rate which the company accepted?

MR. NAPIER: That is so.

SIR JOSEPH FLAVELLE: Is it a low rate?

MR. NAPIER: Well sir, it depends on whether you are paying it or not.

SIR JOSEPH FLAVELLE: I mean as between the carrier who says he cannot live on it and the others who say they want it because they contracted for it.

MR. NAPIER: I think it is as much as the public can pay; I do not think they could pay more than they are paying. They are mostly small farmers.

SIR JOSEPH FLAVELLE: It might be said there was no reason why the private corporation should make a present of it -- that is, the rate not being sufficiently high, these people in order to get the service would have to pay a higher rate.

MR. NAPIER: They would have to use their own cars or their friends' cars, as they did before: one man would drive a car and everybody would chip in to help meet the cost.

SIR JOSEPH FLAVELLE: They would not suggest that the private corporation should continue when they were going behind financially?

MR. NAPIER: I think the public would like them to go on as long as possible.

SIR JOSEPH FLAVELLE: That is an unusual public, is it not?

THE CHAIRMAN: It is suggested by the Attorney General that this Gray Line is part of a system which operates a line north as far as Cumberland.

MR. NAPIER: That is so.

THE CHAIRMAN: What is the name of that system?

MR. NAPIER: Vancouver Island Coach Lines, Limited.

THE CHAIRMAN: And it is also suggested that the Canadian Pacific Railway own it.

MR. NAPIER: We have no knowledge of that.

THE CHAIRMAN: No knowledge, but you have a suspicion.

MR. NAPIER: We have heard rumours.

MR. POOLEY: I think as a matter of fact the Canadian Pacific lately have bought a controlling interest in it. All these operating lines were amalgamated by the late Mr. Matson, who owned the Victoria Colonist, and then he arranged with the Canadian Pacific that they should take over a half interest in this line. The Canadian Pacific have a controlling interest now in the Vancouver Island Coach Lines, Limited. They operate all the way to Alberni and Cumberland, 240 or 250 miles north of Victoria. Incidentally that Saanich schedule you spoke of is now also combined with the Vancouver Island Coach Lines, Limited.

SIR JOSEPH FLAVELLE: Do they publish their financial statement?

MR. POOLEY: I do not know whether or not under the Act they have to file it with the Minister.

MR. NAPIER: Yes, they have to file their statement with us, and we can check up their books, sir.

SIR JOSEPH FLAVELLE: I was wondering whether it was a paying venture.

MR. POOLEY: I could not tell you that myself.

MR. NAPIER: As far as we know, it does not pay; at least the late Mr. Matson was very strongly of the opinion that it did not.

SIR JOSEPH FLAVELLE: Are these rates higher than railway rates, assuming there were a railway competing with them?

MR. NAPIER: As far as I know it costs about the same as the railway going up the Island, but it is more convenient and the people go by bus in preference to using the

railway.

THE CHAIRMAN: When you say it costs, you mean the charge to the public?

MR. NAPIER: Yes, the charge is about the same to the public.

LORD ASHFIELD: All these motor coach services work under some sort of licensing arrangement?

MR. NAPIER: They have a license from the Minister of Public Works in addition to their ordinary motor vehicle license.

MR. POOLEY: And their rates and time schedules are fixed, and to these they must conform.

LORD ASHFIELD: Except for the purpose of coordinating these services which run through from one province to another, the use of the road is protected to-day?

MR. NAPIER: Yes, but I think the railways could be considerably helped if there was further control, possibly, of the public carrier.

LORD ASHFIELD: By restriction or cancellation of these services?

MR. NAPIER: Restriction.

LORD ASHFIELD: Restriction beyond what you have to-day?

MR. NAPIER: Yes.

THE CHAIRMAN: The only exclusive service is between here and Saanich?

MR. NAPIER: That is, on Vancouver Island.

THE CHAIRMAN: I am speaking of Vancouver Island now.

MR. NAPIER: But the Minister of Public Works has

the right to make exceptions. Taxi drivers are not allowed to compete, that is, they cannot pick people up along the road and drop them along the road, but they may go out to Butchart's Gardens and around the Malahat, which is along the route of the Gray Line service. School buses are of course an exception, as well as buses carrying miners to and from their work; but not their wives, and they are not to pick up or drop passengers. There are exceptions of a commonsense nature.

THE CHAIRMAN: Your suggestion as to federal control is with a view to regulating competition with the railways?

MR. NAPIER: Yes.

LORD ASHFIELD: By a standard regulation -- is that what you mean?

MR. NAPIER: Yes, that would strengthen our hands.

LORD ASHFIELD: You have no fear that this strengthening would go too far and restrict development?

MR. NAPIER: Not the Board of Railway Commissioners.

THE CHAIRMAN: You referred to the sort of pressure exercised upon the Minister; perhaps it is sometimes a little too powerful for the province alone to deal with.

MR. NAPIER: It has not been so far, but conceivably it might be.

COMMISSIONER LOREE: In view of the destructive effect on the highway of the operation of heavy buses, has the question been raised of limiting the weight on the axles?

MR. NAPIER: Well, we cover that by regulation under the Highways Act. If the vehicle is of a greater weight or length than is provided for in the Act, they can operate only by special permit, and with the permit

they have to put up a bond to maintain the highway, to make good any extraordinary damage they do, and to comply with the requirements of their agreement.

COMMISSIONER LOREE: Do you limit their speed?

MR. NAPIER: Yes, we limit the speed.

COMMISSIONER LOREE: Do you do that automatically by means of a speed controller or some similar device?

MR. NAPIER: The police look after that.

COMMISSIONER LOREE: It could be done automatically.

MR. NAPIER: It could be, but we have not provided that. We avoid as far as possible anything of a patent nature.

COMMISSIONER LOREE: There are several ways of doing it, either by the gearing or by a governor.

MR. NAPIER: Yes, but there are certain parts of our road where it is quite safe to go thirty to fifty miles an hour whereas in other places it is dangerous to go more than ten or fifteen miles an hour, so that an automatic speed control is of little use, in this country at all events.

THE CHAIRMAN: But from the point of view of the effect on the road.

MR. NAPIER: Even at that, there are certain times of the year and certain places on the road that special precautions are necessary. So far as that is concerned they are very good about reducing the speed, particularly the Gray Line buses; sometimes they come down almost to a crawl, particularly when the frost is coming out of the ground, and that sort of thing.

MR. POOLEY: Under the Act a notice may be posted at any time on any particular section of road limiting the

speed on that section to ten miles an hour.

LORD ASHFIELD: So far we have been dealing very largely with passenger traffic; have you any regulations with respect to freight traffic?

MR. NAPIER: Yes, similar regulations.

LORD ASHFIELD: Is there anything to prevent the private individual from using your roads as a carrier?

MR. NAPIER: As a public carrier of freight, yes.

LORD ASHFIELD: He may convey his own produce from his farm to the railway?

MR. NAPIER: Oh yes.

LORD ASHFIELD: But not upon a community basis; he could not do it for several others?

MR. NAPIER: No, he could not carry his neighbours for hire.

THE CHAIRMAN: Except under license?

MR. NAPIER: Except under license.

THE CHAIRMAN: And that is subject to regulation?

MR. NAPIER: Yes.

THE CHAIRMAN: There is no regulation of the individual?

MR. NAPIER: Yes, as to weight and speed.

LORD ASHFIELD: What is the weight per axle?

MR. NAPIER: It varies according to the time of year and the class of road. That is all in the Act, a copy of which you will have.

LORD ASHFIELD: Is there very much competition?

MR. NAPIER: Not very keen competition.

LORD ASHFIELD: I gather from what you have said that the railways have not taken much objection to the

present situation?

MR. NAPIER: So far, none.

MR. POOLEY: May I give a case in point? Take the district outside of Vancouver, the farming area of the Fraser Valley; in the old days you had the Canadian Pacific and the British Columbia Electric Railway, and later on the Canadian National, all running several daily milk trains into Vancouver. They run a train now, but for the most part it is done by truck.

LORD ASHFIELD: That form of transport is increasing?

MR. POOLEY: Oh yes, the short haul.

LORD ASHFIELD: In relation to traffic which otherwise would go to the railways?

MR. POOLEY: The truck goes right to the farmer's door and picks up the cans, so that the farmer does not have to take them to the station.

THE CHAIRMAN: Have you gone as far as might be considered reasonable, practicable and proper in your regulations for the purpose of protecting the roads in respect to that traffic?

MR. NAPIER: Up to date, yes; looking to the future, no. Things will have to be modified as time goes on. What we expect to see is the placing of merchandise in large crates which will be lifted bodily on to flat cars on the railway and hauled considerable distances, then put on a truck and hauled to its destination. That is a new form of movement of freight that is becoming very common now, I believe, in the United States, and it will come here in due



time.

THE CHAIRMAN: And you are looking forward to such regulation as may be necessary in that respect?

MR. NAPIER: That will have to be taken into consideration.

THE CHAIRMAN: At the present time that form of transport has not appeared?

MR. NAPIER: No sir.

THE CHAIRMAN: So that the occasion for regulation, of course, has not arisen.

MR. NAPIER: But I think the public carrier all over is realizing now that he has attempted to haul too great distances. There is an economic limit beyond which he cannot haul.

THE CHAIRMAN: What do you put that at here?

MR. NAPIER: It would be a guess -- fifty or sixty miles, probably. In England they are hauling from London to Aberdeen.

SIR JOSEPH FLAVELLE: Do they get return loads?

MR. NAPIER: In England?

SIR JOSEPH FLAVELLE: Yes.

MR. NAPIER: I expect so, because all the public carriers I saw moving there -- and there are thousands -- were always loaded.

THE CHAIRMAN: But you are looking to cooperation among the provinces?

MR. NAPIER: Yes.

THE CHAIRMAN: And action by the Board of Railway Commissioners or some such body as that for the purpose of dealing with such a situation as the Attorney General has

referred to as existing in the Lower Fraser adjacent to Vancouver?

MR. NAPIER: Yes, and your rulings will be the basis of our policy so that in time they will become uniform throughout Canada.

THE CHAIRMAN: You mean the rulings of the Board of Railway Commissioners?

MR. NAPIER: Yes.

MR. POOLEY: I would like to file this schedule, sir, to which I referred a little while ago. It shows the motor license fees charged in every province in Canada and every state in the Union, from a Ford phaeton to a seven and a half ton truck, and including also the common carrier vehicles. This demonstrates what some states of the Union have done; they have evidently taken into consideration the wear and tear on the roads and the operation of common carrier vehicles on the public right of way. Take, for instance, some of the charges on a seven and a half ton truck. The State of Alabama charges \$1,000 a year; Georgia, \$1,125; Louisiana \$1,140; Tennessee, \$1,325, and there are others at \$800, \$600 and \$500. On the other hand, in British Columbia, although we are supposed to pay very high motor license fees, that same truck pays \$95.46.

LORD ASHFIELD: Have you the gasoline tax as well?

MR. POOLEY: Yes, it shows also the gasoline tax in all the states -- practically uniform at five cents. And here is a most interesting thing -- it never struck me before: the common carrier in Quebec, accommodating twenty-two passengers, pays a license fee of \$2,852 a year,

whereas in British Columbia it pays \$122.

LORD ASHFIELD: They cannot hope to make much profit on such a basis.

MR. POOLEY: I assume they are endeavouring by means of taxation to put them on exactly the same footing as the railway companies.

LORD ASHFIELD: An attempt to stifle their competition.

MR. POOLEY: The same stage coach in Iowa pays \$1,080, and in many of the states they pay \$900, \$800 and \$600.

SIR JOSEPH FLAVELLE: Is there any explanation for the fact that the charges in the southern states are so much higher?

MR. POOLEY: I could not tell you.

COMMISSIONER LOREE: I think it is purely a question of revenue, just like the graduated income tax.

LORD ASHFIELD: Based more or less on the volume of traffic and the number of vehicles in use, is that it?

COMMISSIONER LOREE: It is a question of getting all they can out of them.

THE CHAIRMAN: All the traffic will bear?

COMMISSIONER LOREE: Yes.

THE CHAIRMAN: I was thinking of the Texas legislation on this subject; it is quite recent, is it not, Mr. Loree?

COMMISSIONER LOREE: Quite recent -- last winter. They meet biennially, and it was passed at the last session.

MR. POOLEY: On the same passenger coach the fee in Texas two years ago was \$810. This may not be quite up

to date, but it contains the information for every state in the Union and every province in Canada.

THE CHAIRMAN: We are very glad to have it, Mr. Pooley.

LORD ASHFIELD: Would a transcontinental coach in the United States be taxed in each state through which it passes?

COMMISSIONER LOREE: Yes, I would say it would. Each railway car pays taxes and they are divided proportionately.

SIR JOSEPH FLAVELLE: Collected at one end and then divided among the various states?

COMMISSIONER LOREE: Take the New York Central, which operates in so many states, so much mileage in each state; it is divided proportionately for the purpose of assessment.

THE CHAIRMAN: The states could not impose a license?

COMMISSIONER LOREE: No.

THE CHAIRMAN: Even, I suppose, with regard to interstate motor buses; but they can impose a tax.

COMMISSIONER LOREE: Yes.

THE CHAIRMAN: Well, we are very much obliged to you, Mr. Pooley, and to you, Mr. Napier; and after examination of the file we will take advantage of your willingness to answer interrogatories.

MR. NAPIER: We will give you the very fullest information we can on any subject with respect to which you desire to make inquiry.

THE CHAIRMAN: Thank you. We shall now be glad to hear from Mr. Griffith, who is Chief Engineer and Deputy

Minister of Railways and is in a position to speak with regard to the matter of the Peace River connection to which Premier Tolmie referred this morning.

MR. GRIFFITH: Mr. Chairman, I think it was the intention of the Premier to have come here himself, but he had to leave; and if you will permit me I will read a brief statement which will give you a general idea of the situation with respect to the Pacific Great Eastern Railway.

The Pacific Great Eastern Railway as operated at the present time starts at Squamish on the Pacific coast and runs to Quesnel, a distance of 348 miles.

Summary of approximate cost of completion and extension from Vancouver, (Second Narrows Bridge) to Alberta boundary via Peace Pass (Crysdale estimate):

Vancouver to Squamish	\$2,500,000	42 miles
Quesnel to Prince George	3,000,000	82 "
Prince George to Finlay Forks	6,880,000	180 "
Finlay Forks to Hudson Hope	3,600,000	90 "
Hudson Hope to Interprovincial boundary (North side Peace River)	<u>5,250,000</u>	<u>150</u> "
Approximate cost	\$21,230,000	544 "
Railway operated		346 "
Total mileage from Vancouver to interprovincial boundary)		890 "

Distance from interprovincial boundary to connect with Northern Alberta Railways at Hines Creek is 80 miles.

A branch line from Hudson Hope (south of Peace River) to Northern Alberta Railways at Dawson Creek is 110 miles; approximate cost \$4,000,000.

Statement of Accounts as at 31st December, 1950

Investment in railway and equipment:	
Main Line	\$64,689,070.00
Peace River survey	45,294.58
Total	\$64,734,364.58



The above includes:

Cost of construction and equipment	\$28,549,432.83
Interest to 31st December, 1930	31,814,150.37
Loss in operation	4,670,791.56

Net deficit on railway operation during 1930	\$55,816.57
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Liabilities

Total liability as at 31st December, 1930	\$66,650,803.82
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The above includes:

Guaranteed stock and bonds and interest	\$20,575,800.00
Interest paid on above	11,601,566.53
Interest accrued thereon	4,319,942.20
Loans from province	18,664,416.07
Interest accrued thereon	11,312,940.54

The details are given in the printed statement of accounts which, with the memorandum, will be filed with the Commission.

Agreement with the Grand Trunk Pacific Railway Company:

The Pacific Great Eastern Railway Company was incorporated in 1912 -- Foley, Welch and Stewart. The object was to construct a line of railway from the city of Vancouver to Port George, which has since become the city of Prince George, a distance of approximately four hundred and seventy miles, to serve as a branch line of the Grand Trunk Pacific Railway to Vancouver. At the same time that the Company was incorporated the Legislature ratified an agreement (Chapter 34, S.1912) which had been entered into between the Government of the province, the promoters of the Pacific Great Eastern Railway and the Grand Trunk Pacific Railway Company, under which the latter bound themselves to route all passenger, freight, express and mail traffic originating on the Grand Trunk Pacific Lines and destined for Van-

couver or way stations over the Pacific Great Eastern Railway.

Construction was continued between North Vancouver and Prince George until the winter of 1917-18 when the Company threw up its hands both in regard to operation of the line already constructed and as to the completion of tracklaying for the two hundred and fifty odd miles on to Prince George.

The provincial Government then took over the railway and continued construction to the stage at which it stands to-day.

The Dominion Government having in the meantime taken over the Grand Trunk Pacific Railway and the Canadian Northern Railway, refused to acknowledge any responsibility in connection with the provincial traffic agreement with the Grand Trunk Pacific Railway Company, presumably because they had access to Vancouver over the Canadian Northern Railway; there was therefore no direct obligation to complete the railway to Prince George at that time, especially under war conditions, but the province still maintains that there is, to say the least, a moral obligation to the end that the province should not have to bear all the loss sustained through the failure of the Dominion Government to carry out the agreement made in good faith by this province.

That, I think, is one of the chief complaints against the Dominion Government just now.

MR. POOLEY: It involves to that extent the Pacific Great Eastern Railway with the general railway policy of the whole of Canada.

SIR JOSEPH FLAVELLE: What was the ground stated by the Dominion Government for refusing to recognize their contract in connection with the road they took over?

MR. POOLEY: They took over, sir, the Grand Trunk Pacific and the Canadian Northern --

SIR JOSEPH FLAVELLE: Quite; I know the practical side of it, but I mean on the side of responsibility -- why would they disregard the contract?

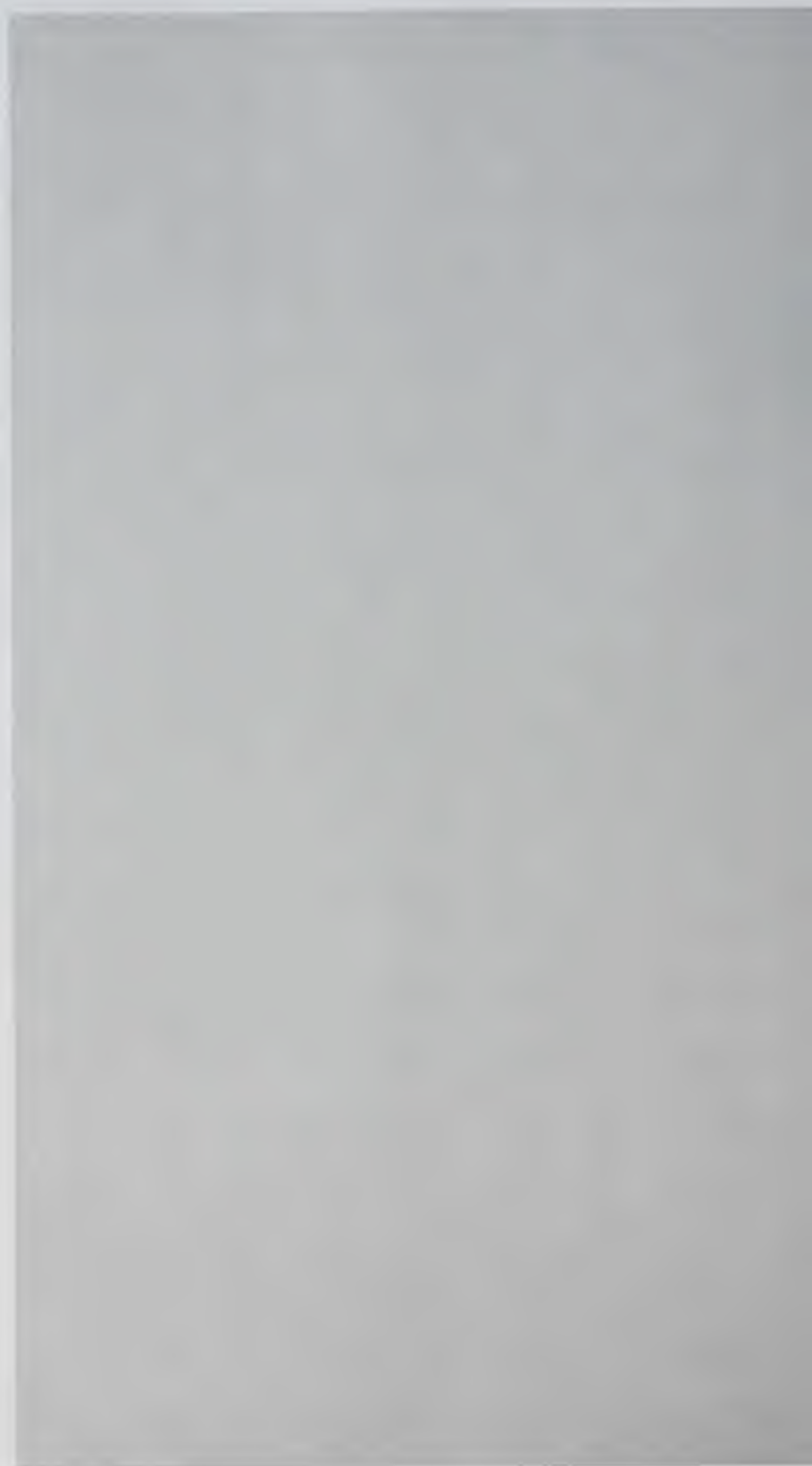
MR. POOLEY: Well, I do not know why; I was not in the confidence of the Government in those days. But I presume they simply said: Well, what are you going to do about it? We already have an outlet to Vancouver and we do not want to complete the road. In the meantime we have spent all the money building that road, guaranteeing Foley, Welch & Stewart's bonds just for the purpose of controlling all the through traffic to Vancouver over that line.

THE CHAIRMAN: The contract was with Foley, Welch & Stewart?

MR. POOLEY: Yes, and the Grand Trunk Pacific Railway Company.

THE CHAIRMAN: Perhaps there was some technical ground entitling the Grand Trunk Pacific to repudiate the agreement -- failure to complete within the time specified, or some such consideration.

MR. POOLEY: They both stopped at the same time. As soon as the Grand Trunk Pacific throw up their hands, so to speak, and the Federal Government had to take them over, then Foley, Welch & Stewart threw up their hands on this one. But the agreement was not operative until Foley, Welch & Stewart had actually completed the line to



Prince George.

THE CHAIRMAN: Was there no time limit on the agreement between Foley, Welch & Stewart and the Grand Trunk Pacific?

MR. POOLEY: I do not think so.

MR. GRIFFITH: Oh no.

THE CHAIRMAN: That claim is now being pressed and has been pressed by the provincial Government upon the Dominion Government, continually, I suppose, ever since the completion of the arrangements.

MR. GRIFFITH: Yes. The result is that the Pacific Great Eastern Railway starts at Squamish instead of at North Vancouver. First of all they started to build twelve miles from North Vancouver and that was operated for a year.

THE CHAIRMAN: Squamish is where?

MR. GRIFFITH: About forty miles north of Vancouver.

THE CHAIRMAN: It runs from tidewater how far up?

MR. GRIFFITH: Then it is completed for 348 miles to Quenesh.

THE CHAIRMAN: What is the investment of the province in the road?

MR. POOLEY: By actual loan, \$36,000,000, and what is now in it about \$64,000,000, interest, advances, and so on.

THE CHAIRMAN: The figures are given in this memorandum?

MR. POOLEY: Yes, certainly; everything is there.

SIR JOSEPH FLAVELL: The road was not completed to Prince George?

MR. GRIFFITH: No, it is eighty miles short.

SIR JOSEPH FLAVELL: So you could not really take

express and freight because you have not any connection as yet.

THE CHAIRMAN: I understand that Foley, Welch & Stewart threw their hands up after the agreement had been repudiated, because the Grand Trunk Pacific, or the Government as the successors of the Grand Trunk Pacific, said they would not honour the agreement. My own impression would be that there was some technical ground upon which they were entitled to repudiate, but the Attorney General does not suggest any. I assume we would be able to get exact information as to that.

MR. POOLEY: Yes.

SIR JOSEPH FLAVELLE: I thought I understood Mr. Pooley to say that when the Grand Trunk Pacific threw up its hands, unable to complete its work, Foley, Welch & Stewart threw up their hands, not on this line, but when the Grand Trunk Pacific --

THE CHAIRMAN: But the Grand Trunk Pacific had completed their line. It was when the Government took over the Grand Trunk Pacific in 1917; that is what you mean, Mr. Pooley?

MR. POOLEY: Yes.

SIR JOSEPH FLAVELLE: Had the Grand Trunk Pacific completed their line at that time?

MR. POOLEY: Oh yes, operating to Prince Rupert at that time.

THE CHAIRMAN: The Government then said: We do not recognize this agreement, and of course the traffic agreement not being recognized -- it was corporate responsibility, was it not?

MR. POOLEY: Yes.

THE CHAIRMAN: That is to say, Foley, Welch & Stewart were the P. C. E. Company?

MR. POOLEY: Foley, Welch & Stewart was the name of the firm.

THE CHAIRMAN: The contract with the Grand Trunk Pacific was not between the Grand Trunk Pacific and the company but between the Grand Trunk Pacific and the firm, who were a firm of railway contractors?

MR. POOLEY: That is so.

THE CHAIRMAN: Have you a reference to the statute in the documents filed?

MR. POOLEY: Yes, it is chapter 34 of 1912.

THE CHAIRMAN: To what extent is the road being operated?

MR. GRIFFITH: From Tidewater to Quesnel, 340 miles.

THE CHAIRMAN: It is one of the few provincial roads in this country.

SIR JOSEPH FLAVELLE: Have you a daily service?

MR. GRIFFITH: No, twice a week now and three in the summer.

SIR JOSEPH FLAVELLE: I suppose freight is carried by way freight?

MR. GRIFFITH: No, freight and passenger combined combination trains. There is not sufficient traffic for a passenger service alone.

THE CHAIRMAN: Well, Mr. Griffith, we have the memorandum, and if anything further is required I suppose we shall be able to get it.

MR. GRIFFITH: Yes; if that is not sufficient, Mr. Chairman, I have all the numerous details in connection with

the railways.

COMMISSIONER LOREE: How do you regard the future?

MR. GRIFFITH: Well, the line has to continue to the Peace River country, there is no question about that. That is where the wheat land is, the best farming land we have in the province.

COMMISSIONER LOREE: The future, then, is doubtful, is it?

MR. POOLEY: It starts nowhere and ends nowhere; that is the point.

COMMISSIONER LOREE: Is there a motor road through that country?

MR. POOLEY: We have the oldest wagon road in the whole province in there, the old Cariboo road, built in the sixties.

COMMISSIONER LOREE: It is quite satisfactory?

MR. POOLEY: Oh yes.

MR. GRIFFITH: But it does not follow the P.C.E.

MR. POOLEY: It taps the main portion of it, but does not touch the first 150 miles.

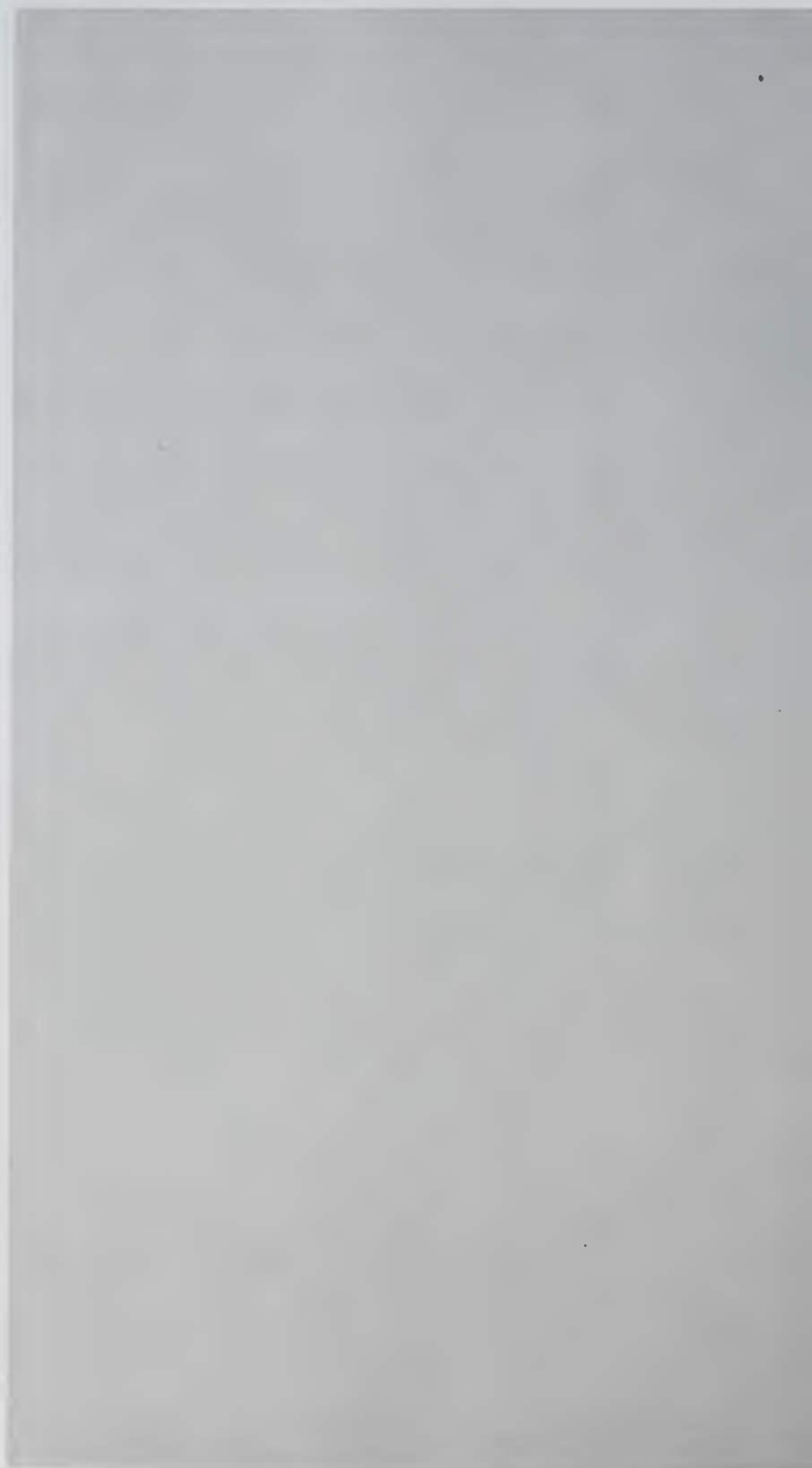
SIR JOSEPH FLAVELLE: That is to say, assuming the adoption of such a drastic course as the abandonment of the railway, the settlers in there would be served by a motor road paralleling it?

MR. POOLEY: Not the settlers for the first 150 miles, no; but beyond that, yes.

SIR JOSEPH FLAVELLE: Are the grades heavy?

MR. GRIFFITH: Two and a quarter per cent is the maximum -- ten degree curvature.

COMMISSIONER LOREE: Could the country be ade-



quately served by wagon road where the railway now is on that first 150 miles?

MR. GRIFFITH: There is really nothing to serve there except scenery.

THE CHAIRMAN: It is through the mountains?

MR. GRIFFITH: Yes.

THE CHAIRMAN: Where does the old wagon road terminate?

MR. POOLEY: The Cariboo road runs from Vancouver to Prince George and the railway taps that wagon road at Lillooet.

THE CHAIRMAN: One hundred and fifty miles from tide-water?

MR. POOLEY: Yes.

SIR JOSEPH FLAVELLE: And there is no traffic for that last 150 miles?

MR. POOLEY: Except the mines.

MR. GRIFFITH: In the summer the tourists go up to the lakes; there is quite a good traffic for a portion of the summer.

THE CHAIRMAN: There is no settlement; it is a mountainous route?

MR. GRIFFITH: The British Columbia Electric are in there.

MR. POOLEY: They are building a new hydro electric station at Bridge River.

THE CHAIRMAN: And they depend on you for transport?

MR. POOLEY: Yes.

THE CHAIRMAN: It is a power line that is contemplated, is it?

MR. GRIFFITH: Yes, it is nearly completed now.

THE CHAIRMAN: That is to Vancouver, of course?

MR. GRIFFITH: Yes.

MR. POOLEY: It is the biggest hydro electric project on the coast.

COMMISSIONER LOREE: The Canadian National have a line practically parallel fifty miles away?

MR. GRIFFITH: Yes.

COMMISSIONER LOREE: What sort of grades?

MR. POOLEY: Less than one per cent on the Canadian National all through the mountains. It is the lowest grade of any transcontinental line.

COMMISSIONER LOREE: If that were pushed up to connect with the Prince Rupert line would it replace any demand there was for this line?

MR. POOLEY: That is exactly how it is now, sir. The Grand Trunk Pacific and the Canadian National meet at Red Cap Junction; one goes due west to Prince Rupert and the other goes due south to Vancouver. Formerly the Grand Trunk Pacific and the Canadian National paralleled each other for about 400 miles from Edmonton west to Red Cap Junction; they were within three or four feet of each other at many places, but when the federal Government took over both these roads they tore up one track and joined the two into one, and the rails were shipped to France during the war. That is one of the main reasons why the Canadian Government is not so much interested in the P.G.E., because they have an outlet to Vancouver over the old Canadian Northern track, now the Canadian National.

COMMISSIONER LOREE: Has any use been made of the abandoned right of way?

MR. POOLEY: No.

THE SECRETARY: They are planning to use it as a highway, are they not?

MR. POOLEY: A short portion of it is being used as a highway, yes.

At 1.05 p.m. the Commission adjourned.

(Page 240 follows)

ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

The Royal Commission appointed to inquire into the whole problem of transportation in Canada, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable future developments of the country, met at the Court House, Victoria, B.C., on Thursday, December 10, 1931.

PRESENT:

RIGHT HON. LYMAN POORE DUFF, P.C.,	Chairman
RIGHT HON. LORD ASHFIELD)
SIR JOSEPH W. FLAVELLE, Bart.,)
BEAUDRY LEMAN, Esq.,)
LEONOR FRESNEL LOREE, Esq.,)
WALTER CHARLES MURRAY, Esq.,)
JOHN CLARENCE WEBSTER, Esq.,)

Commissioners

Arthur Moxon, Esq., K.C., Secretary

George W. Yates, Esq., Assistant Secretary

PUBLIC MEETING

Representations were made to the Commission by:

Hon. R.H. Pooley, K.C., Attorney General,
for the Provincial Government.

Alderman W. T. Straith, for the City of Victoria,

D. S. Tait, Esq., for the Panama Pacific Grain
Terminals Limited,

M. B. Jackson, Esq., K.C.,

Mrs. Bertha Wait,

Robert Taylor Williams, Esq.,

Court House, Victoria,

Thursday, December 10, 1931

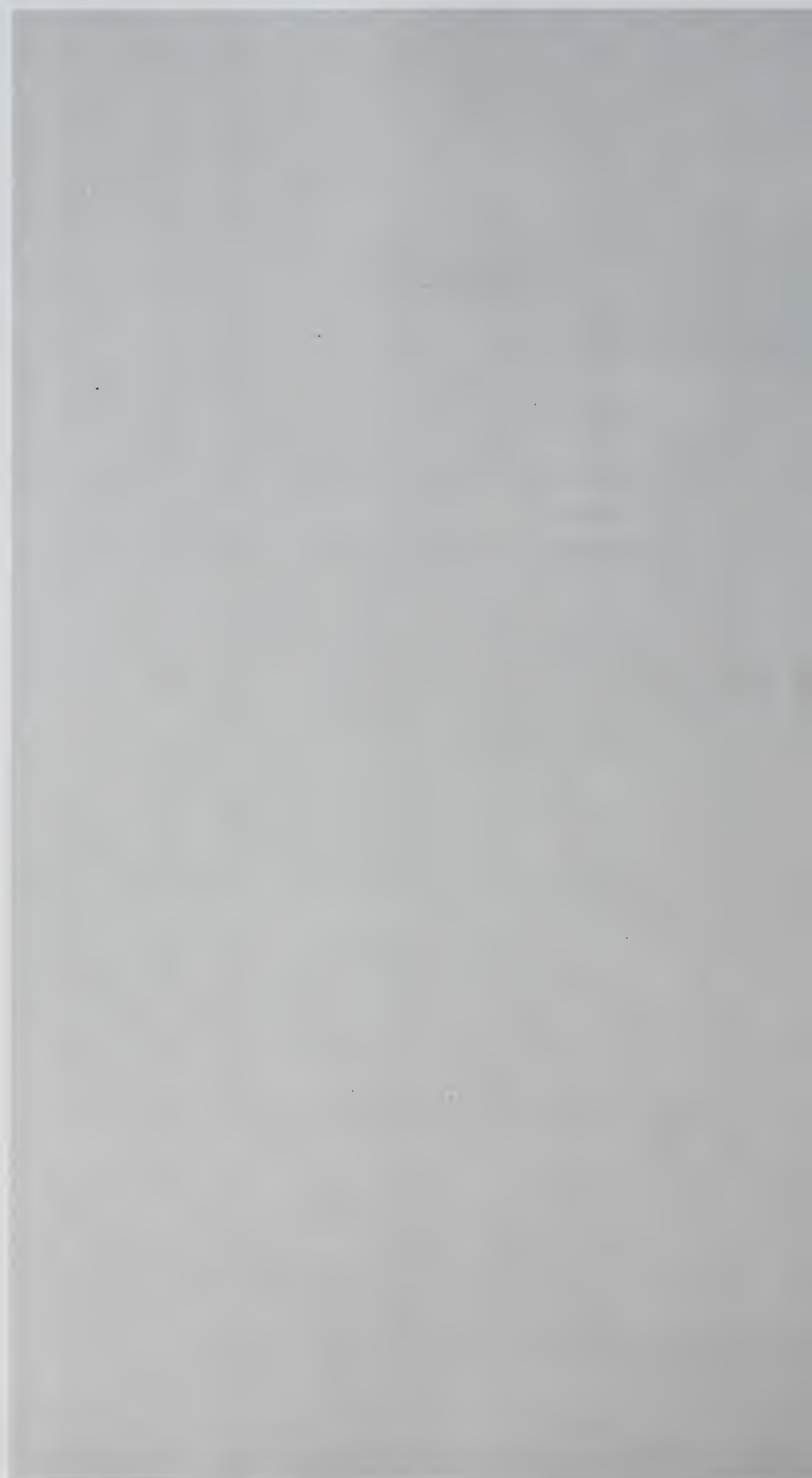
MORNING SESSION

The Commission met at 10.30 a.m.

HON. R.H.POOLEY, K.C., (Attorney General): Mr. Justice Duff and Gentlemen of the Commission: It is my pleasant duty this morning to formally welcome you to the Province of British Columbia. Of course you all appreciate that in a sense it is not necessary for me to welcome the Right Hon. Mr. Justice Duff to Victoria, because we all know him so well that he has, so to speak, come home. We are always very glad to see him, as it brings back to some of us oldtimers memories of the good days gone by. We appreciate the magnitude of the task which you have in hand and what it means to every province of the Dominion that matters connected with what may be termed the over-lapping of the railways should be cleared up for the benefit of all concerned.

I do not know what representations will be made before you this morning, but I am advised that Alderman W. T. Straith will make representations for and on behalf of the City of Victoria, and Mr. D. S. Tait on behalf of the Panama Pacific Grain Terminals Limited, situated on the harbour front.

While you are here I wish to say that the facilities of the government staff, its buildings and everything else are at your disposal; we have made similar arrangements for you in the City of Vancouver, and we shall do our best to make your stay a pleasant one and your labours as light



as possible.

THE CHAIRMAN: We are obliged to you, Mr. Attorney General, for your kind words of welcome, and we appreciate the arrangements made by the Provincial Government to assist us in every way possible. It is needless to say that the task which has been imposed upon us is one not of provincial interest alone but of national interest. Perhaps I may be permitted to refer to the pleasure I experience in being in Victoria again, in answer to what you have been so kind to say with regard to myself personally.

Now we shall be prepared to hear Alderman Straith.

ALDERMAN W. T. STRAITH: Mr. Chairman and Gentlemen of the Royal Commission, my remarks will be very brief because Mr. Tait is dealing with the subject which I shall introduce on behalf of the City.

In the City of Victoria we have a grain elevator which to some extent has been subsidized by the City. We are interested in it not only because we have subsidized it, but because it is a local industry that is struggling against certain difficulties.

The first difficulty is that there is a terminal rate applicable to grain which is received in Victoria, which is the same as the terminal rate for grain reaching Vancouver; but the rate for Victoria applies only with respect to grain which comes by way of the Canadian National Railways; it does not apply to grain coming over the Canadian Pacific Railway. That is the first complaint with which Mr. Tait will deal.

The second difficulty is this: It is practically impossible by the Canadian Pacific Railway, even assuming that an equal terminal rate were granted to Victoria, for grain to reach the local elevator by reason of the practical

difficulty arising from the fact that the car barges of the Canadian Pacific Railway will not fit into the barge slip at the terminal elevator.

The third is the anxiety of the people of the lower part of Vancouver Island for a favourable domestic rate on grain to assist the poultry raisers and those interested in the dairying industry in that section. I am sure that the Chairman of the Commission is aware of the fact that the clearing of land in this part of the country is very difficult and very expensive. Consequently it is impracticable for the farmers here to raise sufficient grain on the expensive land which they have to purchase for the purpose of keeping their cattle and poultry. For that reason an advantageous rate on grain would be greatly to the advantage of Vancouver and also of that district.

These are the three points, Mr. Chairman, that Mr. Tait will deal with.

THE CHAIRMAN: Mr. Tait.

MR. D. S. TAIT: Mr. Chairman and members of the Commission, the problem which we in this City have to face will illustrate probably as extreme an instance of lack of cooperation between the two railways as is likely to be met with by the Commission, and also the utter ignoring by one of these great railways of the needs and equipment of the Port.

We have on the Ogden Point docks a first class terminal elevator, modern in every respect, fitted, I think, to handle grain outward as cheaply as, if not more cheaply than, any other elevator on the Pacific coast. A great stream of traffic in the way of passenger vessels and freighters pass our doors which do not go up to Vancouver. Much of that



traffic is loaded with American grain, and there is an opening to have those boats take parcel cargoes of Canadian grain to deliver to their customers so they may obtain the proper mixture. The proposition is sound, but today it is strangled by lack of cooperation between the two railways, and the utter refusal of one of the railways to grant a terminal rate for export grain to Victoria.

The other point that Alderman Straith touched upon is of considerable importance to the district. Undoubtedly we have the mildest climate of any portion of Canada, and in proportion to the amount of cleared land our people have brought about a very high development of the dairying and poultry business. Cattle and poultry do exceedingly well and the stock is of exceptionally high class. But for the reason that Alderman Straith has touched on we cannot produce our own grain. For that purpose we need a very considerable area of really good arable land, and it costs from four hundred to five hundred dollars an acre to clear our land. Therefore the benefit which an operating elevator would confer by making available cheaper feeds to this district is probably greater in proportion than would be the case in any other part of Canada where they are in a position to produce grain to supply their own needs.

Now, the elevator besides being a private enterprise is in a measure a community enterprise, inasmuch as the City of Victoria has subsidized its bonds to the extent of \$308,000. If the elevator fails the loss is liable to fall upon the shoulders of the people of this City. The elevator is also to a certain extent a Dominion government enterprise, because the Dominion government built the Ogden Point breakwater, which you passed on your right as

you came into the harbour last night. The Federal authorities spent several million dollars on the enterprise, but the development of the docks has been extremely slow. To encourage that development they gave a very favourable long term lease to the terminal company.

The Canadian National Railways gave us a terminal rate on grain of twenty cents per hundred pounds, which is the same as they give to the City of Vancouver. It is alleged -- and it is true -- that the Canadian National Railways are in a more favourable position to give that rate than are the Canadian Pacific so far as regards this port, for they have their railway terminals at Port Mann on the Fraser River, and it costs them as much as, possibly a shade more to bring their grain into Vancouver than into Victoria. Therefore it is advantageous for them to bring it to Victoria. The Canadian Pacific Railway, on the other hand, have their tracks running along the water front of the City of Vancouver, where they deliver the grain to the Vancouver elevators, and the cost of bringing the grain by barge to Victoria would undoubtedly be additional; but it is a reasonable additional cost, and we are not being met in a proportionately reasonable spirit.

Grain can be brought in and delivered to our elevator by Canadian National ferry, but in order to do so it is necessary for the Canadian Pacific to deliver the grain to the Canadian National Railway for transport over possibly two hundred yards of their line with about a mile and a quarter of a water haul from Curtis Point, a mile and a quarter up the harbour, to the Ogden Point docks. So that to a certain extent in delivering their grain the Canadian Pacific Railway would have to work under an arrange-

ment with the Canadian National Railway, and the Canadian National Railway would obtain some benefit from that haul.

Now I must say our experience shows that these railways are acting altogether as keen competitors; there has been very little of the spirit of cooperation. An illustration of that is the fact that this City for years strove to obtain interswitching facilities between these railways on what is called the industrial reserve across the harbour, known as the Songhees Reserve. That inter-switching would be for the length of about three quarters of a mile to enable cars to be shipped from one railway to the other, so that Canadian National Railway cars could be delivered to industrial establishments operating on the Canadian Pacific portion of the industrial reserve, and Canadian Pacific cars could be delivered to mills and so on which had direct switches from the Canadian National Railways. The opposition, at least from the Canadian Pacific Railway to that proposal was extreme, and it was several years before it was finally put through under coercion of an order of the Railway Board.

THE CHAIRMAN: In what year was that order made?

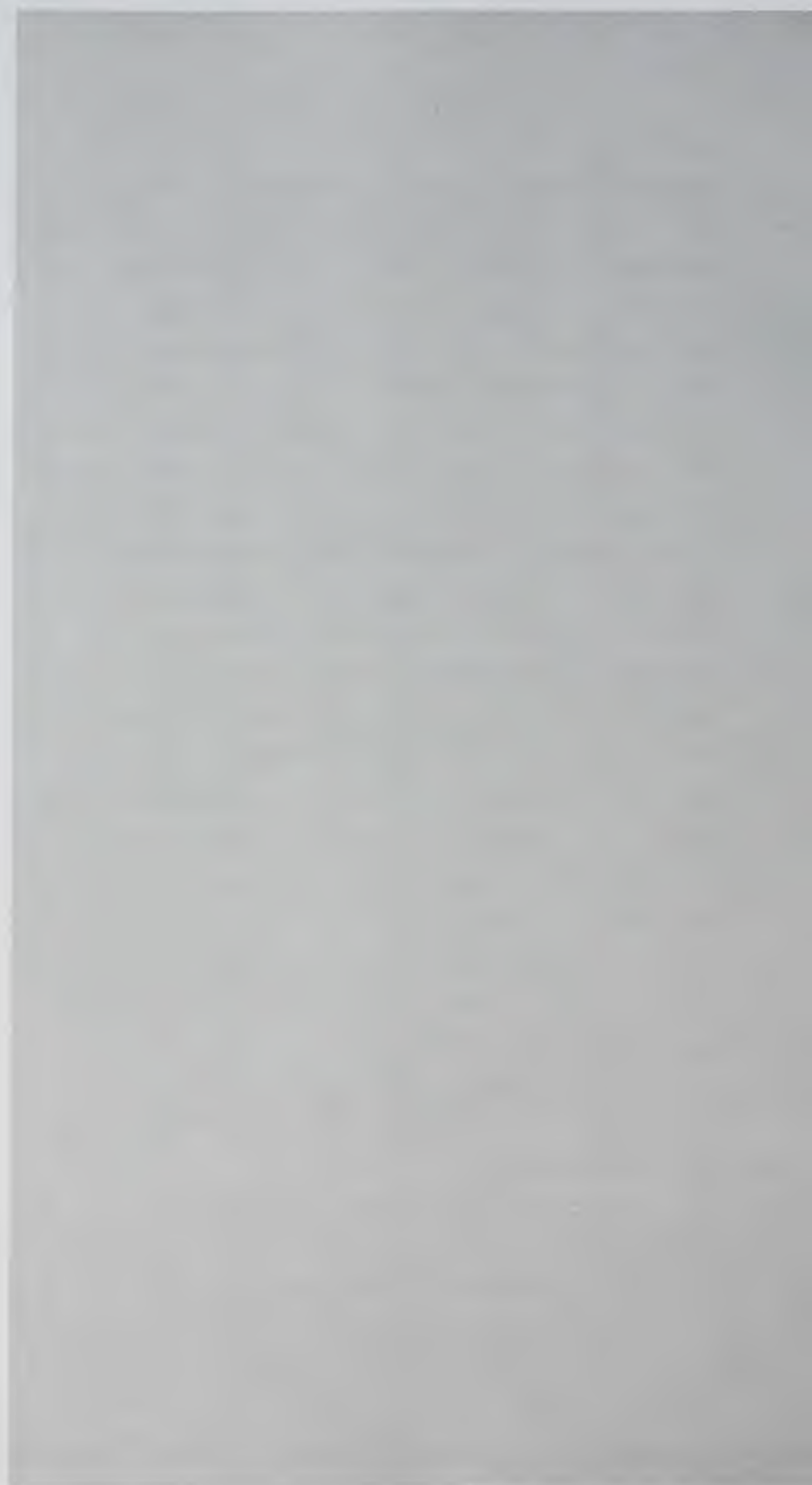
MR. TAIT: About two to two and a half years ago the interswitch was completed.

THE CHAIRMAN: Roughly speaking what was the Canadian Pacific industrial area to which the Canadian National wished to get access?

MR. TAIT: It was largely, Your Lordship, a question of the merchants of Victoria and the mill men of the Island desiring to get access to the Ogden Point docks.

THE CHAIRMAN: I see.

MR. TAIT: Because by means of that interswitching



facility the mills on the C. P. R. could get their cars delivered to the Canadian National Railway, and the Canadian National Railway could place them at the assembly dock at Ogden Point by means of their ferry.

THE CHAIRMAN: What was the alternative route?

MR. TAIT: There was no alternative route. Up to that time all stuff from mills on the Canadian National Railways desiring to go up on the C. P. R., or from industrial establishments such as the Sidney Roofing and Paper Company, which is a splendid flourishing industry here, had all to be trucked to the Canadian National Railways; whereas if it could be loaded on the cars right in their own yards and transferred by this interswitching facility all that double handling could be avoided. That interswitching facility has now been established, and it is a material factor in our position because the Canadian Pacific Railway have their ferry slip at Esquimalt, just about three miles away; a three mile haul brings their grain into the City of Victoria and over the interswitch to the Canadian National, less than a hundred and fifty feet, and the Canadian National place the cars on their harbour barge, then there is a quarter of a mile haul and another two hundred feet on the rails at Ogden Point into the elevator.

Now, as I have said, the Canadian National Railway terminal rate on export grain is twenty cents, the Canadian Pacific Railway have to date refused to give us any export rate on grain for shipment from Victoria, and the only rating available to us is the domestic rate of forty-one cents -- a difference which more than doubles the rate at which grain is delivered to Vancouver or to Victoria over the Canadian National Railways, or a differential of

twenty-one cents, which is absolutely prohibitive.

The question might be asked: Why could not we get along with the Canadian National rate alone? We have found it virtually impossible. Last year and this year the elevator has been operated under lease by the Grain Pool. By that arrangement we in the City are losing money, and we are in danger of having the project a failure because the rental is too low. They are making a lot of money on it; we are making none.

The reason why the project cannot get along without the Canadian Pacific rate is twofold. The principal reason is that in order to operate the elevator it is necessary to get a working arrangement with some of the prairie elevator companies. They have a chain of prairie elevators which can supply grain to our elevator. All of those companies without exception have possibly half of their elevators on the Canadian Pacific Railway line and half on the Canadian National line, and they cannot and will not make an arrangement with us unless they can get an arrangement under which the elevator will handle the grain from both lines, because if they did so they are at once in difficulties with the Vancouver elevators; those must handle the balance of their grain and would not do so, and they succeeded to date in shutting us off.

Another reason is that the Canadian Pacific Railway lines serve most of the territory of southern Alberta and southern Saskatchewan, where the grain matures earlier and is almost invariably drier grain than that grown in northern Alberta; the latter is much more likely to be damp or tough. Now in order that an elevator may do business properly it is necessary that it have those two

grades of grain for mixing. Your Lordships may not understand this, but if you get a certain amount of damp grain and mix it with dry grain, the dry grain absorbs the slight excess of moisture from the damp grain. In that way without drying, which is a very expensive process, the whole of your grain is fit for shipment. That is a very important point in connection with the grain trade.

Now, the position which the Canadian Pacific Railway have taken to date amounts to an absolute refusal to permit grain to be shipped to the City of Victoria from elevators served by their lines, because the only rate they will give, the domestic rate, is absolutely prohibitive.

Recently an application was made to the Railway Board, but the Board dealt with it in the very narrowest way. They said in effect: We cannot find that the refusal of the Canadian Pacific Railway to give a rate equal to the rate it gives to Vancouver is discrimination. They did not in any way deal with the feature of the Canadian Pacific Railway giving some export rate, even if it were slightly higher than the rate given to the City of Vancouver.

The Canadian Pacific Railway gave evidence which I think was extreme. They said they would have to bring their cars in by barge to Esquimalt and over the interswitch to the Canadian National Railways for delivery by the Canadian National Railway to Ogden Point and back again, which would cost them \$42.70 per car. The evidence on the part of the Canadian National Railways shows that it costs them about \$10.00 per car. The Canadian Pacific Railway stated that if their barges were built so they could use the Ogden Point ferry slip they could deliver for \$27.40 per car. This is more than double what it costs the Canadian National.

and I can perceive no reason for the extreme difference. But even accepting their figures, their cars carry about fifteen hundred bushels of grain, and the differential which they say would meet that cost would mean at the present time a difference of two and three quarter cents per hundred pounds, or if they were able to bring their cars to that ferry slip direct, a difference of one and three quarter cents per hundred pounds; whereas the present differential, as I have pointed out, is twenty-one cents per hundred pounds.

But the case made by the Canadian Pacific Railway utterly ignores some other fundamental facts, one of which is that the traffic in loaded cars from Vancouver Island is vastly greater than the traffic in loaded cars to Vancouver Island. In other words, both railway companies are compelled to bring vast numbers of empty cars to Vancouver Island. The exact figures in the case of the Canadian National Railways, as submitted in sworn evidence to the Railway Board, showed that in 1930 they took out from Vancouver Island 17,000 loaded cars, while they brought into Vancouver Island 2,500 loaded cars; therefore in their case they required to bring 14,500 empties to Vancouver Island. These might just as well have been filled with grain. Consequently I think the bringing of grain to Vancouver Island might be said to cost the Canadian National Railways practically nothing. In the case of the Canadian Pacific Railway the difference is not so extreme, but still it is very great. Their railway lines serve the older established portion of the Island, and their loads inward are greater. Nevertheless the difference is still remarkable. On information which we gathered because the Canadian Pacific

Railway refused to give us the figures -- at least the local officials did, and I have no blame to attribute to them in that respect -- it would seem they take out from Vancouver Island about two and a half loaded cars for everyone that they bring in. We presented those figures to the Railway Board, and they were not denied; therefore I take it they are approximately accurate. Consequently the loaded car landed on Vancouver Island is of great value to the railway company, and if they are prepared to do what on their own evidence they do in some cases, absorb a little of the cost of delivering to an elevator which is not exactly on their line, and if they would take into consideration the value to them of the empty car on Vancouver Island, they could very easily grant to this elevator, I would suggest, a rate with a differential of not more than one cent per hundred pounds as between the cost over and above the rate which they charge to the City of Vancouver. With that differential of one cent per hundred pounds, or something in that neighborhood, we could get along, and this elevator, which is of the greatest importance to Victoria and this end of Vancouver Island, could live.

To show the extreme position the railway company have taken, I wish to refer for a moment to a portion of the answer that they filed before the Railway Board. They said:

The water distance from Vancouver to Victoria is eighty-two miles. Our officials do not consider that we should be obliged to haul grain from Vancouver to Victoria free of charge when the elevator capacity at Vancouver is sufficient to take care of the traffic which is moving. The additional expense which would be involved is unwarranted. Nothing whatever would be accomplished by handling grain to Victoria for export, as ocean rates from Victoria and Vancouver are the same, and the difference in the cost to the rail lines in hauling the grain to Victoria as compared with Vancouver, and bringing the empty cars back to the

main line, would be nothing short of wasteful extravagance.

Of course, that is ignoring the fact that they have a load for every car they take back to the main land. They continued:

Our officials take the view that it would be neither sound nor economical to handle export traffic by rail to a more distant port such as Victoria when the same results can be obtained to a port where the rail haul is less, such as Vancouver.

That is equivalent to saying: We do not see why grain cars should be taken to Victoria, and we don't think we should be called upon to take them. They utterly ignore the investment of the Panama Pacific and the position of the City of Victoria in regard to the elevator; they utterly ignore the rights of this Port to its logical and natural development; they utterly ignore the great benefit that the development of the elevator would be to the entire district, and look at it solely from the purely selfish point of view.

The case is so extreme that I do not know whether it is that they prefer to keep that business centered in Vancouver where they control the waterfront, or whether it is, as I say, simply a further instance of the extreme lengths to which the competition between the two railways is carried, and that the Canadian Pacific Railway do not wish in any respect to share with the Canadian National Railways any further than they can the benefit of the vested position which they have in the City of Victoria and on Vancouver Island owing to their priority here and to the fact that their railway lines were established in the better settled communities, and that sort of thing. But it is very tough on the elevator company and on the City of Victoria.

Then with respect to the domestic rate, forty-

one cents per hundred pounds is undoubtedly away too high. I am not an expert on railway figures, but a demonstration has been given in the last three years which is so convincing that it proves beyond question that the grain traffic has been highly profitable to the railways, and that they could well afford to make concessions where such concessions are necessary and just to serve the special needs of any particular community. And undoubtedly a lower domestic rate on grain is a very special need for this district.

THE CHAIRMAN: I gather you have made some application to the Railway Board in regard to the rate.

MR. TAIT: We made application, Your Lordship, but, as I have said, the Board dealt with it in an extremely narrow way. They simply said that the rate was not discriminatory and refused to give us the same rate as is given to the City of Vancouver.

THE CHAIRMAN: You suggest some abatement, not necessarily a parity in the rates?

MR. TAIT: Not necessarily absolute equality, but a rate which will enable us to live and conduct our business. I thought it a very appropriate matter to bring before this Commission, because it does seem to me that it comes within the subject of greater cooperation between these two railways.

THE CHAIRMAN: Are you suggesting any practical measure?

MR. TAIT: Of course the most practical measure of all to serve the purpose would be the construction of a new slip or the alteration of the present slip at Ogden Point so as to serve the ferries of both companies. It is unfortunate that when the Canadian National Railways started out



they adopted a type of ferry barge entirely different from the Canadian Pacific Railway's, so that the barges of neither company can be used on the ferry slips of the other company. That would be a practical method and would assist greatly in reducing the differential which the Canadian Pacific must charge. But the result which we desire -- and I can see no earthly reason why it should not be arrived at -- is that the Canadian Pacific Railway should give us an export rate on grain as close as possible to the rate given to the City of Vancouver, and one which would enable us to conduct our business.

Now, I was just dealing with one subject connected particularly with the domestic rate, which I think could and should be lowered. It would be a tremendous benefit if co-operation could be arranged between the prairies, where the winter cold is extreme and the handicap upon the dairying and poultry businesses severe, and this place where the climate is so mild that it is particularly favourable to those businesses in which we are engaged. I was referring to an incident which proves absolutely that the railways could help us by cooperation. It is no use to go into detailed figures of cost, because figures can be made to lie, and people who don't understand them cannot argue upon them. I refer simply to this fact, that up to the year 1929 the Canadian Pacific Railway Company were showing excellent profits, and the Canadian National Railways had arrived at the point where they were practically equalling the interest on their tremendous debt. In 1929 there was a sudden and immediate drop in earnings, which caused a tremendous deficit on the Canadian National Railways in respect to meeting their interest charges, and caused the Canadian Pacific Railway

to lower their dividend. Now there was not that drop in general business in 1929 to account for this tremendous shrinkage of earnings; the drop was purely in the traffic over the lines in grain, owing partly to the fact that the grain output was small, and partly to the fact that apparently the pool was storing and holding its grain for higher prices. But the fact is that the tremendous reduction in freight earnings which took place that year as compared with the previous several years, that is, the tremendous reduction in the grain traffic, caused the railways that tremendous drop in their net profits. It seems to me, Your Lordship, that one does not need to go further to prove that the grain traffic is highly profitable to the railways. And there is no particular reason why they should not work together more readily and arrange rates which would serve the needs of the communities where an adjustment of rates is urgently required.

(Page 260 follows.)

THE SECRETARY: I wish formally to announce the filing of a submission by Mr. S. R. Ross, private citizen of the City of Victoria, which will be available for the Chairman and members of the Commission at a later date; also the receipt of a letter from the Sidney Lumber Company, of Sidney, British Columbia, which will be filed and noted in the minutes of the Commission.

THE CHAIRMAN: There are three other submissions that will have to be mentioned; one from Hon. T. D. Pattullo, which will receive careful consideration; another from Mr. Ridgeway Wilson, which will also receive consideration, and there has been handed to me just now a letter from Mr. David Reid.

M. B. JACKSON, K.C.: Mr. Chairman and members of the Commission, I should like to say a word or two, if I may. Assuming that the two great railway systems are to continue to operate in Canada, I feel quite sure, as one who has had occasion to observe particularly the development of the Canadian National Railway, that it is discouraging to the management of the Canadian National and to the people of Canada, the owners of that system, to have it continue to operate on a basis of capital value upon which, presumable, it is hoped to earn dividends, when it is madly and hopelessly impossible for any such result to be accomplished. I happen to have lived all my life in the eastern and prairie parts of Canada. I was in at the birth of the Canadian National Railway; I saw it start with a little jerkwater line forty miles long, a stretch of railway known as the Lake Manitoba Railway and Canal Company, running north from the little town of Hamiota in that province, and I saw it spread eastward and westward throughout the whole of Canada.

I do know that it has levied a toll upon every province of the Dominion and upon the whole of Canada and that the people have paid and overpaid many times the actual capital working value of that system of railways; and it is discouraging to the management and to the people to continue to be carrying a false capital value when the capital has been lost -- thousands of millions of dollars which has been and still is water. I suggest that if there is to be confidence in the operation of that railway and if it is to continue in operation, the water, the lost capital, should be squeezed out and the railway reorganized on the basis of actual capital value.

These are days when we are learning more and more the lesson that we have established a false standard of living. As I look back to the early days from 1879 and 1880 I realize what the agriculturists, who were typical of the population of that part of the country, were able to put up with and prosper and be happy. Let us take, for instance, the railway situation in the northwestern part of Manitoba, with which I was familiar in the early days -- this is a striking example of the duplication of railways. First there was the present main line of the Canadian Pacific through Winnipeg, Brandon, Regina and on to the coast. Then there was another line, the Grand Trunk Pacific through Rivers to Minn Kota and on through Saskatchewan, about ten miles north of the main C.P.R. line. Then, within eight or ten miles of the Grand Trunk Pacific there was the Great North West Central, now owned and operated by the Canadian Pacific, originally a branch line. Six or seven miles north of this line was the Mackenzie and Mann

Mr. Jackson
Mrs. Wait

line, and ten or fifteen miles farther north, the Manitoba and Northwestern Railway now owned and operated by the Canadian Pacific. Then seven or eight miles north of that, we had the original Mackenzie and Mann Canadian Northern, running through Roblin and paralleling all the others. So we had all these lines traversing that country, and that I think is a situation which prevails to too great extent throughout the whole of Canada. We have not the population to justify so much capital enterprise, and to me as a private citizen the thing to do would be either to junk some of them or close them down for the time being and operate on sound economic lines -- in other words, let us cut our coat according to our cloth.

THE CHAIRMAN: We are obliged to you, Mr. Jackson.

THE SECRETARY: Are there any further submissions to be made?

THE CHAIRMAN: I hope it is clearly understood that the Commission will be glad to hear any representation that is likely to be of assistance to us.

THE SECRETARY: A submission has been presented by the Island Freight Service, Limited, one of the companies operating highway transportation. It is in writing and will be noted in the minutes.

THE CHAIRMAN: We shall be glad to consider that.

THE SECRETARY: Mrs. Bertha Wait wishes to make certain representations which she will submit in writing.

THE CHAIRMAN: We shall receive the communication from Mrs. Wait and it will be duly considered.

MRS. BERTHA WAIT: May I say a few words, Mr. Chairman? I will take just a minute.

THE CHAIRMAN: Oh, certainly.

MRS. WAIT: I tried to ship some wheat from Saskatchewan to Victoria not so long ago. I did ship a carload of wheat and I was told that it would cost me 45 cents to ship it to Victoria, whereas I could ship it the same distance from Saskatchewan to the head of the lakes or to Montreal for 19 cents. What we need in British Columbia is equalized freight rates. I am sure that if we could ship for the same price that they do in the east, British Columbia would prosper. The land in British Columbia is very dear, too dear to grow grain, and there is lots of grain that could be used up, much more than there is at present. We should have equalized freight rates instead of having to pay twice what they do in the east. All we ask for is equalized freight rates for the benefit of British Columbia and the benefit of the farmers.

THE CHAIRMAN: Perhaps you will put your statement in writing, Mrs. Wait, and deal with the matter a little more extensively. We shall be obliged if you will do that.

MRS. WAIT: Thank you, Mr. Chairman.

MR. ROBERT T. WILLIAMS: I want to ask this question of your lordship. I understand that while you are in British Columbia you intend to take up the matter of connection with the Peace River -- that is, the P.G.E. question. Am I right?

THE CHAIRMAN: We will receive representations with regard to that, Mr. Williams.

MR. WILLIAMS: Then will you permit me to put before you, orally if you will, a counter proposition that to my mind and to the mind possibly of many others will meet the Peace River situation.

THE CHAIRMAN: Would you prefer to put it orally, or will you submit it in writing?

MR. WILLIAMS: I would rather give it orally. It will not take more than five minutes.

THE CHAIRMAN: Certainly, Mr. Williams. Do not imagine that we have any desire whatever to hurry you; we wish to hear what you have to say.

MR. WILLIAMS: Thank you. Of old, your lordship, so far as you personally are concerned, I am aware of it.

THE CHAIRMAN: You will understand, I am sure, that it is a disposition not of mine alone but of the whole Commission. We desire to hear anything that will assist us.

MR. WILLIAMS: Thank you, sir; I am quite sure you will give me that privilege -- at least you have done so. My main object in coming here is to lay before you the advantages of a shorter route for the Peace River section terminating on Vancouver Island. It is only carrying out what was before the people of Vancouver Island fully seventy years ago. The Hon. Mr. Oliver, who was Premier of Alberta, afterwards on the Railway Commission --

THE CHAIRMAN: Mr. Frank Oliver, you mean.

MR. WILLIAMS: Mr. Frank Oliver.

THE CHAIRMAN: He was Minister of the Interior; he was never Premier of the province.

MR. WILLIAMS: Quite so -- thank you. When the question of the bridging of Seymour Narrows was up, Mr. Oliver made the statement that the bridging of that narrows was of national importance. Now, I quote his exact words, as no doubt your lordship is quite well aware. But the main points I wish to place before you are these --

facts that the general public are not aware of, that even the people in Victoria are not aware of. Exaggerated figures of the cost of bridging Seymour Narrows have been continually given out -- the distance across, and matters of that sort -- which have misled the public for the past fifty or sixty years. I met a gentleman on the street only a few days ago, and he said: "The bridging of Seymour Narrows is a formidable undertaking." I said: "What do you think all the bridges would amount to, and on end?" "Oh," he said, "about fourteen miles." As a matter of fact all the bridges put together are not one mile in length, and the total cost of bridging Seymour Narrows and giving an outlet to Vancouver Island would be less than building the P.G.E.. Those on Vancouver Island, myself included, would be glad to see the P.G.E. finished; I think it would be a splendid undertaking for the whole of British Columbia. At the same time those on Vancouver Island are desirous of having consideration given to the Seymour Narrows connection. I hope that the Commission in its deliberations will look closely into the matter and give Vancouver Island every consideration, bearing in mind the fact that the total cost of the suspension bridges and a two-way cement automobile road would be under ten million dollars -- those figures I have from the best of engineers. Of course that would provide suspension bridges for automobile traffic somewhat similar to the bridge at Grand Mere in the province of Quebec. There is an automobile bridge that is an exact copy of the first bridge required to connect Vancouver Island, as it is the exact distance from Vancouver Island to Ripple Rock that it is across it.

Grand Mere river.

I am very thankful to you for your consideration, and I am sure you will bear this in mind and help us on Vancouver Island all you can.

THE CHAIRMAN: We are much obliged to you, Mr. Williams.

THE SECRETARY: I think that is all, Mr. Chairman.

THE CHAIRMAN: If there is nothing further, we will adjourn.

The Commission adjourned at 11.30 a.m.

ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

The Royal Commission appointed to inquire into the whole problem of transportation in Canada, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable future developments of the country, met at the Court House, Vancouver, on Friday, December 11, 1931

PRESENT:

RIGHT HON. LYMAN POORE DUFF, P.C.,	Chairman
RIGHT HON. LORD ASHFIELD)
SIR JOSEPH W. FLAVELLE, Bart.,)
BEAUDRY LEMAN, Esq.,)
LEONOR FRESNEL LOREE, Esq.,)
WALTER CHARLES MURRAY, Esq.,)
JOHN CLARENCE WEBSTER, Esq.,)
	Commissioners
Arthur Moxon, Esq., K.C.,	Secretary
George W. Yates, Esq.,	Assistant Secretary

PUBLIC MEETING

Representations were made by:

Alderman John Bennett, Acting Mayor, City of Vancouver,
Mayne D. Hamilton, Esq., President, Vancouver
Board of Trade,
C. E. Tisdall, Esq., Chairman "On to the Peace"
Association,
Colonel W. D. S. Rorison, for the North
Fraser Harbour Commission,
J. H. Cates, Esq., President of North Vancouver
Board of Trade,
G. V. Pelton, Esq., K.C., for the Forest
Preservation Association,

PUBLIC MEETING

Representations were made by: (continued)

Geo. E. McCrossan, Esq., K.C., Counsel for the
City of Vancouver,

A. K. H. Macfarlane, Esq., President, Vancouver
Terminals Limited.

Court House, Vancouver,
Friday, December 11, 1931.

MORNING SESSION

The Commission met at 10.00 a. m.

THE CHAIRMAN: Gentlemen, the scope of the Commission is, I think, pretty well understood. We have been authorized to inquire into the whole problem of transportation in Canada in relation to the railways, including shipping and communication facilities, in view of the increasing deficits on the Canadian National Railways and the serious reduction in revenues on the Canadian Pacific system, brought about to a certain extent by special kinds of competition, chiefly highway transport, to which the railways have been subjected.

We shall be glad to hear from persons who have representations to make which will assist us in arriving at conclusions with regard to the subject matters to be investigated.

ALDERMAN JOHN BENNETT (Acting Mayor): Your Lordship and Members of the Commission, in the capacity of Chief Magistrate of the City as the Acting Mayor, I wish to tender to your honourable body a very sincere welcome. We trust that the result of your deliberations will be of profit to Canada and also form a valuable contribution towards helping the railways that are affected by present conditions.

The City of Vancouver at this stage of the proceedings has not a statement to put in, but will probably

do so before the end of your deliberations. We have certain contracts and engagements with the Canadian National Railways, and of course we are interested in seeing that they are carried out to their completion, because they are part of the bargain that was entered into many years ago between ourselves and the railway system.

We in the City of Vancouver feel that the Peace River project is of particular interest to us, especially at this time when the railways are in need of greater traffic, as undoubtedly it would open up what is practically a new empire and would be of very material assistance both to the railways and to the Pacific Coast cities. However, we are not putting in a statement at this moment in regard to that; probably our Corporation Counsel will do so later.

Again, Sir, I wish to tender to all the Members of your Commission a very hearty welcome to our City of Vancouver.

THE CHAIRMAN: Mr. Mayor, we are obliged to you for your kind words of welcome. We shall be glad to have from the City of Vancouver any representations that it may desire to make with respect to any of the matters in which it is interested.

ALDERMAN JOHN BENNETT: Thank you, Sir.

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MR. MAYNE D. HAMILTON (President, Vancouver Board of Trade): Mr. Chairman and members of the Dominion Royal Commission: Representing the Vancouver Board of Trade it is a distinct privilege and pleasure to extend to the Chairman and distinguished members of the Dominion Royal Commission on Railways and Transportation a most sincere welcome on behalf of the commercial and industrial interests in Vancouver.

We are all thoroughly cognizant of the immense importance of the mission upon which you are engaged and we desire to extend to you our sincerest good wishes for its successful accomplishment. We understand that you are engaged in a study of the widespread ramifications of the Dominion of Canada's transportation systems. A combination of facilities has developed with lightning-like rapidity during the past few years, brought about in large measure by the phenomenal growth and development of the natural resources of the country. Whether this growth and development has not exceeded the growth of the nation, will no doubt be taken into due consideration in your study of the present problems.

With an increase of this nature in the immense undertakings of our transportation systems, there will inevitably be, particularly in times such as we are now passing through, instances of unnecessary duplication of both rail and steamship facilities, which, while apparently justified during the peak of the flow of business throughout Canada, are to-day found to be somewhat superfluous and perhaps unnecessary.

The views of our Board which I have the honour to express to-day, will be of a general character and will be

confined to some of the principal features of the problems.

Business in these days is more and more inclining to the theme of rigid economy. Operating costs of all institutions have been and are continuing to be pared down to the present scales of the revenue-producing possibilities of business, and business for this reason looks to and expects from the public utility corporations, inclusive of our transportation systems, a similar regard of the present economic situation.

Occupied as they have been during the past few years with the handling of their own affairs, business men generally have not given much consideration to the ramifications of our railroad institutions, but a different outlook is developing, and to-day it is admitted that business is concerned with the ever-increasing costs which are facing those interests whose problems your Commission is now looking into.

It would appear to be superfluous for us to suggest to your honourable body any remedies that might be effected in these undertakings. In your travels across the Dominion ample opportunity will be provided to note the widespread and far-flung character of our railroad and transportation accommodation. The great decrease in freight and passenger earnings speaks for itself and definitely indicates that some contraction of facilities now being provided is essential. We are convinced that the respective managements of our lines are fully aware of the present situation and from observations which have been made it is apparent that preliminary steps have already been taken to bring about a more equitable transportation arrangement.

It would appear that there is a wide-spread opinion

that Canada should be satisfied with the present mileage of its railroads and that no new construction, unless absolutely justified, should be proceeded with until conditions warrant the same. It is also suggested that Canada has too much railroad mileage and that there exists considerable room for curtailment in this direction. In our railroad systems a more than ample programme of expansion has been proceeded with in the erection of hotels, stations and other units which have added greatly to the capital cost of the system. The prosperous period through which we have recently passed encouraged public opinion to make demands upon Government for public expenditures based upon a belief, which is not confined within the boundaries of the Dominion of Canada, that a new era had arrived and that prosperity then being experienced would continue indefinitely.

It is perfectly obvious that Canada, faced as she is with tremendous financial obligations, a considerable percentage of which are concerned with its railway systems, must economize to the utmost, and any steps that your Commission may take to bring this about will receive the whole-hearted support of our organization.

There is one matter upon which we have concentrated for some considerable time and that is a railroad connection from the Peace River area to the Pacific coast. We have consistently urged the establishment of this transportation artery. Our Board has made itself thoroughly familiar with the Peace River areas and is quite convinced that the territory in northern Alberta and northern British Columbia offers a very fruitful field for future railroad traffic movement. Mr. C. E. Tisdall, who is the

Chairman of the "On to the Peace" Association, intends to present a brief to you covering this question, and I will say no more, except to again express our great belief in this project.

MR. CHAIRMAN: We are obliged to you, Mr. Hamilton. Mr. Tisdall, are you ready?

MR. C. E. TISDALL (Chairman, "On to the Peace" Association): Yes, Mr. Chairman. In my official capacity as Chairman of the "On to the Peace" Association I welcome this opportunity of presenting to your honourable Commission the views of my Association in the matter of an outlet from the Peace River territory to the coast.

The Association of which I am head, was formed some three years ago as a result of a visit to the Peace River territory of a very large and influential delegation representing the Canadian Chamber of Commerce.

It has been the well-considered policy of the organization which I represent to constantly press for adequate railroad connection from the Peace River territory to tidewater. As you are no doubt aware, the territory is to be found in the northern part of Alberta and the northwest section of British Columbia.

Federal Government statistics put the area of the Peace River agricultural country at forty-seven million acres. The fertility of the territory is unquestioned and we are happy to note that Mr. Herman Trelles has again captured world championships at Chicago for the third year in succession.

The population of the Alberta section is estimated at approximately seventy-five thousand, and the British

Columbia section at ten thousand. It is estimated that the production of the territory for 1931 will be in the neighbourhood of twenty millions of bushels of grains of all kinds.

The residents of the Peace River area are a unit in favour of a speedy transportation connection to the coast. They have seen the tremendous development that has taken place in the movement of Canada's crops via the Pacific coast and they are looking forward to the day when a short haul to the Pacific will provide the first step in a greater settlement of their vast areas.

We in Vancouver have consistently advocated for up-to-date and adequate terminal facilities at the port, and the successful operation of the facilities that have been provided on Burrard Inlet during the past fifteen years have justified the constant petitions that have been made in this direction to federal authorities.

The port of Vancouver with its present facilities is capable of handling a much greater volume of business than it is at present doing. The economic factors have been established and it is now a foregone conclusion that the future increases in the productivity of the Peace River territories can be successfully shipped through this port. Nearly sixty deep sea lines are making regular calls, and they in turn have and are providing every item of organization necessary to speed the transfer of their cargoes to all parts of the world.

The farmers of the Peace River territory, both present and potential, require a well organized industrial and commercial community to supply them with the necessi-

ties of life, and the business of this city is in a position to handle the needs of this great western territory.

To digress for a moment, Mr. Chairman, I may say that approximately half a million of our population is to be found in Vancouver or is immediately tributary to Vancouver, giving the farmers of the Peace River country an opportunity of supplying a million and a half meals a day to what must necessarily always be an industrial population.

The Peace River country has been in the public eye for a considerable time and no doubt you will be made cognizant of the various surveys that have been undertaken by federal and provincial authorities as well as our two great transcontinental systems.

Organizations both national and provincial are agreed that the future of this area is exceedingly bright. The subject has been frequently debated in the House of Commons, and no stone has been left unturned by this body to keep the matter a live one. The bringing to the coast, by means of transportation, of this tremendously rich agricultural area will bring closer contact with the centres of population to a very widely scattered rural area.

This development by means of transportation will present one of the strongest pleas possible for a return to the land. Its rich fertility has never failed, and with an assurance from the authorities of the early completion of the connecting link between the Pacific and the Peace another permanent step forward will have been made in the history of the Dominion of Canada.

I have attached to this report two publications,

one issued by Mr. John Imrie, Managing Director of the Edmonton Journal, a well known authority on the Peace River territory, and an exhaustive booklet by Mr. F. H. Kitto of the Department of the Interior, Ottawa.

THE CHAIRMAN: Thank you, Mr. Tisdall.

COLONEL W. D. S. RORISON: Mr. Chairman and Gentlemen, the North Fraser Harbour Commissioners were rather at a loss to know just what memorandum to prepare for you, but I have drawn up a brief statement which can be dealt with at length at any point you may desire.

THE CHAIRMAN: Yes.

COLONEL RORISON: This is the short statement I have prepared:

The North Arm of the Fraser River, being under the jurisdiction of the 'North Fraser Harbour Commissioners', approved by Act of Parliament, May 16th, 1913, 3-4 George V, Chapter 162.

Location:

The North Arm of the Fraser River extends from the City of New Westminster paralleling the southern boundary of the Municipality of Burnaby and City of Vancouver westward to the Straits of Georgia at Point Grey.

THE CHAIRMAN: What is the distance in miles from the Burrard Inlet front to the North Fraser along the Georgia Strait?

COLONEL RORISON: About six miles, Sir.

The northern boundary of Lulu and Sea Island, or Richmond Municipality, forming the opposite side of the river, in extent about fifteen miles on either side of the river, or thirty miles of water frontage including both sides. In addition to the above, the branch of the river running in a southerly direction between Sea and Lulu Island gives an additional water frontage of six miles.

That gives you an idea of the distance of the frontage that is available on the North Arm.

THE CHAIRMAN: Yes.

COLONEL RORISON: My next paragraph deals with the industrial development:

The first industry to be established was the Eburne Saw Mills, Limited, in July, 1900, with a capacity of ten thousand feet per day.

That was rather small, of course.

THE CHAIRMAN: That is the north bank of the North Arm.

COLONEL RORISON: Might I trace these things for you on the blue print?

THE CHAIRMAN: Yes, thank you.

(Colonel Rorison having pointed out to the Commissioners the location shown on the blue print):

I think most of us have a pretty good general idea of the location now, Colonel Rorison.

COLONEL RORISON: No other industries located on the North Arm until the Dominion government began dredging operations, clearing the sandbars out of the river. This made a definite channel for the passage of water borne traffic.

From 1911 the industrial development took place. At present there are thirty-one industries located on the North Arm of the Fraser River. The following will show their output and their commercial value:

Industries 31
Annual payroll, 8 hour shift, \$1,673,918.
Employees on 8 hour shift, white, 1, 453
Value of plants \$6,375,917.
Shingle output, 8 hour shift, approximately 624,000,000
Lumber output, 8 hour shift, approximately 130,779,900 feet.
Other industries, annual sales \$6,423,005.
Area occupied, approximately 150 acres.

THE CHAIRMAN: You mean the sites of the plants?

COLONEL RORISON: Yes. You can see there is a tremendous amount of ground still available for development along that frontage.

Dredging:

Dredging operations commenced in 1911, also construction of the jetty or retaining wall on the sand-heads extending from Iona Island westerly. The dredging from the sand-heads at the Harbour's western limit continued up stream to New Westminster.

From 1911 to date the Dominion government has spent \$1,500,000 on this work.

At present we have a towing channel from the western limits of the sand-heads to New Westminster ten feet deep at low tide, with a minimum width of 150 feet to a maximum width of 350 feet, and with a rise in tide of 13 feet 6 inches.

The silt from the dredging operations in 1929, 1930 and 1931 has been placed almost entirely where it has made splendid industrial sites well above tide water.

THE CHAIRMAN: How far does the tide extend up the river?

COLONEL RORISON: Beyond Westminster. This is a very important part because otherwise all of the land that borders on the river would be below high tide. It is all alluvial land. The river is dyked on both sides straight up to Westminster.

THE CHAIRMAN: Those dykes are constructed by the Dominion government?

COLONEL RORISON: No Sir. The dyke on Lulu and Sea Island was constructed originally by the municipality.

THE CHAIRMAN: The primary purpose is for protection

of the agricultural land there.

COLONEL RORISON: Yes, there was no thought of industries at that time. Now I come to rail facilities:

The Canadian Pacific built their line reaching Eburne from Vancouver in 1902. This line was electrified in 1904, and the portion from Eburne to New Westminster was electrified in 1909. The industrial growth was extremely slow until after the Dominion government began its first dredging in 1911.

These were really the first operations to amount to anything; there were spasmodic operations before that time.

At present the choice sites are practically all taken between Marpole and the western boundary of the Municipality of Burnaby, this area being on the north shore or Vancouver side of the river.

Eburne was the original name of that section of the City; it is now called Marpole.

The foreshore in the Municipality of Burnaby was not available for industrial development on account of there being no rail facilities, the Canadian Pacific Railway passing too far north; but now that the Canadian National Railway system has built along this portion of the river there is available four miles of very choice water front sites served by rail.

On the north side of Lulu Island there is now available approximately seven miles of very choice water frontage, the land being very level and the railway being at varying distances from the shoreline, which will permit the locating of large or small industries between the water front and the rail.

This is another important factor.

If water frontage is not required on this line, the area to the south is also very well adapted for industrial development, having unlimited acreage for the largest of industries.

With the development of the rail facilities on the deep channel of the Fraser River on the south side of Lulu Island, being connected both to the east and west sides with the north arm, this will permit lumber or other manufactured articles being loaded on cars and transferred a few miles to ocean going vessels on the south or main river. Mills and kindred industries will not locate on the deep sea or south side of Lulu Island on account of the hazards of towing across the sandheads of Lulu and Sea Islands; hence the North Arm becomes the lumber manufacturing centre, and the south or main river the deep sea shipping area. The acreage available on the thirty-two miles of new Canadian National trackage will provide accommodation for industrial development as well as railway yards for many years after the present generation of business men or their successors have ceased to be interested in business activities.

There is an unlimited area there awaiting development. I think you will find that in that area there is something like 10,000 acres surrounded by the new line.

Now let me deal with the fresh water advantages: When wood construction is subjected to salt water the life of the construction is comparatively short and continual repair is necessary; whereas similar construction in the fresh or even brackish water of the Fraser River will last indefinitely. Piling is now standing and in perfect condition that was placed in the river twenty-five

years ago. There are booms of logs in the North Arm which have been there for nearly two years; they are in perfect condition, free from the attacks of toredos and other sea pests.

That is a very important point, Sir, regarding the development of the lumber industry, that where they have booming grounds and other necessary construction in the water, the North Arm is the place for them to go, because that construction will last indefinitely there. Piles are still there that I saw in the same location twenty-five years ago.

The next matter is the cost of industrial sites:

There is no location adjacent to the City of Vancouver where industrial sites can be purchased cheaper than on Lulu Island. Trackage can be purchased at \$250 per acre including water frontage. The land taxes amount to about \$6 per acre annually. City water is available over this entire area and electric energy can be secured for lighting and industrial requirements.

With regard to freight handling on the North Arm: The Canadian Pacific Railway served the area between the Huntting-Merritt Shingle Mills at Marpole and New Westminster until considerable pressure was brought to bear by Mr. F. Huntting to allow the two American lines, the Great Northern and the Northern Pacific, to receive shingle and lumber shipments from this area on the same basis as if shipping over the Canadian Pacific. This agreement was reached and is in effect at present.

THE CHAIRMAN: An agreement between the railways?

COLONEL RORISON: An agreement between the Canadian Pacific, the Great Northern and the Northern Pacific to operate in the lumber business over that particular area.

This continued until 1922, when the operators made application to the Railway Commission for joint rates on other railways. Efforts to receive joint rates had been made even before this application on the grounds that they felt they were handicapped in not having freedom of shipment on the Canadian National Railways.

The 1922 application was lost on a technicality.

On July 9, 1926, thirteen industries joined in another application for joint rates, and evidence of the thirteen industries was taken at that date. Mr. G. G. McGeer, K.C., appeared for the industries, Mr. E. P. Flintoft for the Canadian Pacific Railway Company, Mr. Alistair Fraser for the Canadian National Railways, and Mr. Riddle for the British Columbia Electric Company. This 1926 appeal was finally argued in Ottawa with a loss to the operators.

Nothing further was done until the operators approached the North Fraser Harbour Commissioners in 1928 when application was again filed with the Railway Commission for publication of joint rates on the North Arm of the Fraser River. This application was heard in Vancouver on January 9, 1929. At the hearing all the industries were included, also the Provincial government of British Columbia, four municipalities and six Boards of Trade. Mr. D. N. Hossie appeared for the North Fraser Harbour Commission and others, Mr. L.J. Ladner, M.P., for the Province of British Columbia, Mr. B. J. Williams for the City of Vancouver, Mr. McMullen and Mr. Jefferson for the Canadian Pacific Railway.

In due course the Railway Commission approved of

Order No. 42808 ordering the publication of joint rates between the Canadian National and the British Columbia Electric to Canadian points, the order to be effective July 2, 1929.

The Canadian Pacific Railway made application on June 10, 1929, to have the order reviewed, and to be non-effective till a further hearing before the Railway Commission at a date suitable to them.

The rehearing of Order No. 42808 was set to be heard in Ottawa on October 16, 1929. Mr. D. N. Hossie appeared for the North Fraser Harbour Commissioners and others, Mr. Leon J. Ladner for the Province of British Columbia, Mr. Alistair Fraser for the Canadian National Railways, and Mr. Flintoft and Mr. Riddle for the Canadian Pacific Railway and the British Columbia Electric Railway.

Judgment was handed down on March 7, 1930, that the order No. 42808 ordering joint rates be approved.

The Canadian Pacific Railway Company and the British Columbia Electric now made application to the Supreme Court of Canada, questioning the powers of the Railway Commission to make their decision regarding Order No. 42808. This case was heard in Ottawa on May 7, 1930.

Also, the Canadian Pacific and the British Columbia Electric refused the Canadian National connection at Sussex Street in the Municipality of Burnaby and Tucks Station in the Municipality of Richmond. These two connections would bring into effect the four mile inter-switching limits, giving the Canadian Pacific equal rights on the Canadian National lines on Lulu Island, as it would give the Canadian National equal shipping rights on the Canadian Pacific line on the Vancouver side

of the river, thus benefiting industries on both lines and on both sides of the river.

The North Fraser Harbour Commissioners are most desirous of developing this industrial area of the North Arm of the Fraser River, which cannot be successfully accomplished without freedom in choice of railway to the shipper as to which railway he desires to ship by.

The desirable sites on the Canadian Pacific Railway are now practically all absorbed, and industrial development must of necessity look to the newly built lines on Lulu Island.

Should further information be required, the North Fraser Harbour Commissioners would be pleased to furnish it.

This is respectfully submitted for your information, Mr. Chairman.

THE CHAIRMAN: Thank you, Mr. Rorison. We will now hear Mr. J. H. Cates, President of the North Vancouver Board of Trade.

MR. CATES: Mr. Chairman, I represent the North Vancouver Board of Trade, and on behalf of that Board I extend to you a very hearty welcome.

We have confined ourselves to one feature of the railway question -- the completion of the Pacific Great Eastern from Burrard Inlet to the Peace River. There is one point that we feel should be mentioned. It is this: The railway as it is now cannot be operated profitably, and if it were completed it would be possible to put it on a paying basis.

At a special meeting of the Board held last night the following resolution was passed to be handed to you

for your consideration:

Whereas, a railway outlet to the Pacific Coast is an imperative and an urgent need for the development and progress of the Peace River District, and

Whereas, the Pacific Great Eastern Railway offers the most direct route, with the shortest mileage between Burrard Inlet and the Peace River District, and

Whereas, the Pacific Great Eastern Railway was constructed under an agreement with the Grand Trunk Pacific Railway, virtually (although not in name) a branch line of the Grand Trunk Pacific Railway, and

Whereas, the Grand Trunk Pacific Railway has become an integral part of the system of the Canadian National Railway, and

Whereas, the Pacific Great Eastern Railway does not start from a traffic centre and does not extend to its logical terminus on Burrard Inlet which prevents profitable operation, and

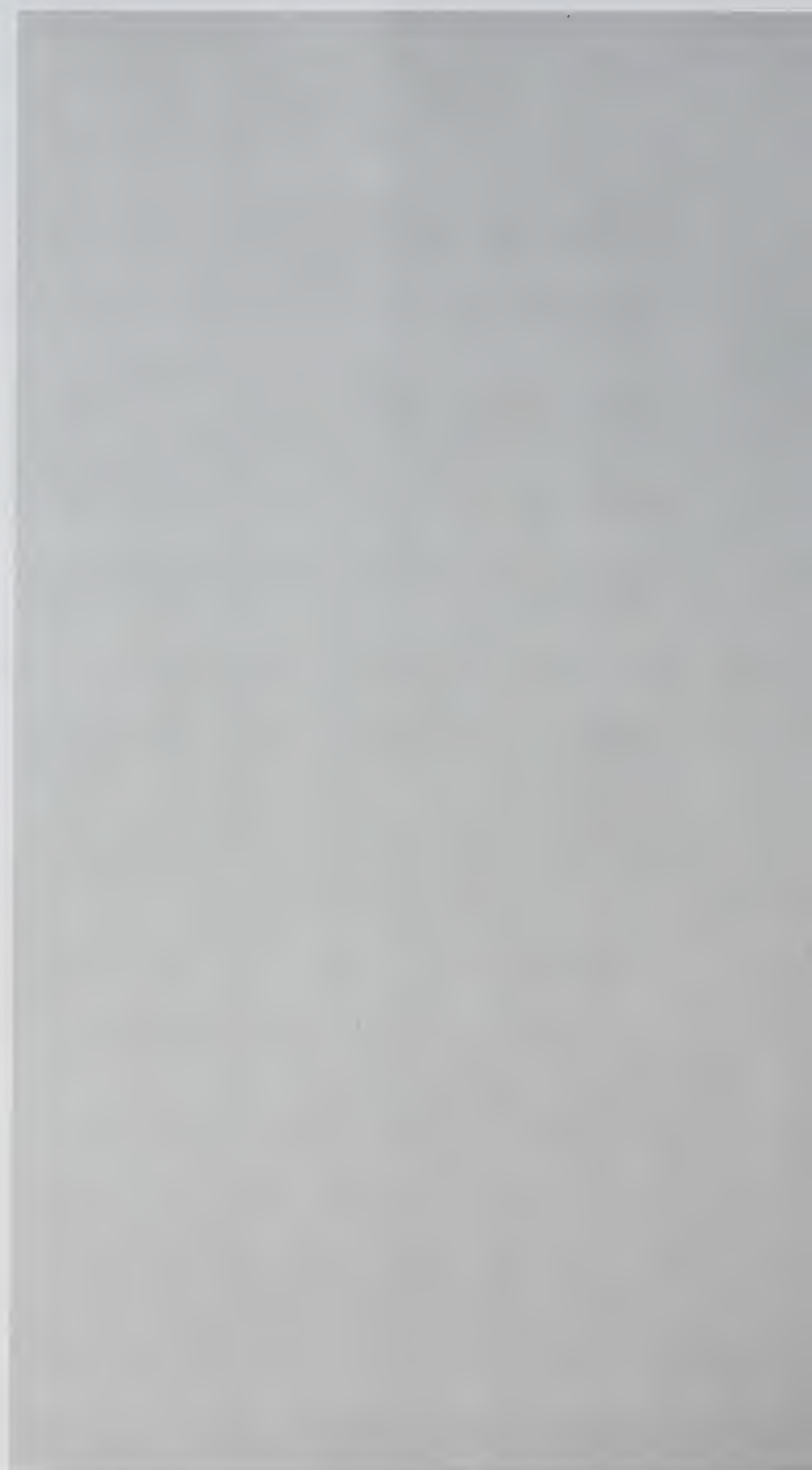
Whereas the climate of the Pacific Coast will allow railway construction during the winter months,

Therefore, the North Vancouver Board of Trade hereby petitions the Royal Commission on Railways and Transportation, that the Commission favourably consider the incorporation in its report (when formulated) a recommendation to the effect that the Pacific Great Eastern Railway be extended from Prince George to the Peace River District, this northern extension to be operated in conjunction with the lines of the Pacific Great Eastern Railway from Prince George to North Vancouver.

That is all I have to present, Mr. Chairman.

THE CHAIRMAN: Thank you, Mr. Cates. Mr. Pelton.

MR. GERALD V. PELTON, K. C.: Mr. Chairman and gentlemen of the Commission, I am appearing on behalf of the Society for the preservation of Canadian forests. I am making representations and presenting a statement with a view to the preservation of forest areas along the line of railways, and offering in support of our suggestions certain information in regard to the forest areas already destroyed along the line of the Grand Trunk Pacific Railway. I think if I read the letter I am filing with the Commission it will



save a lot of time.

THE CHAIRMAN: Very well.

MR. PELTON: This is my letter to the Commission, under today's date.

Gentlemen:

On behalf of the Society for the Preservation of Canadian forests, I beg to submit a statement verified from personal knowledge by its Treasurer and chief organizer, Mr. George E. Keith.

Much personal and documentary evidence substantiating the necessarily succinct statement of Mr. Keith can be adduced, but realizing the limited time at your disposal, the Society submits this statement for your consideration. The Society suggests a perusal by the Commission of the report now in the hands of the British Columbia government relative to the fires of 1912, 1916 and 1922, which is not in our possession, but should you require anything further the Society will furnish same to the best of its ability.

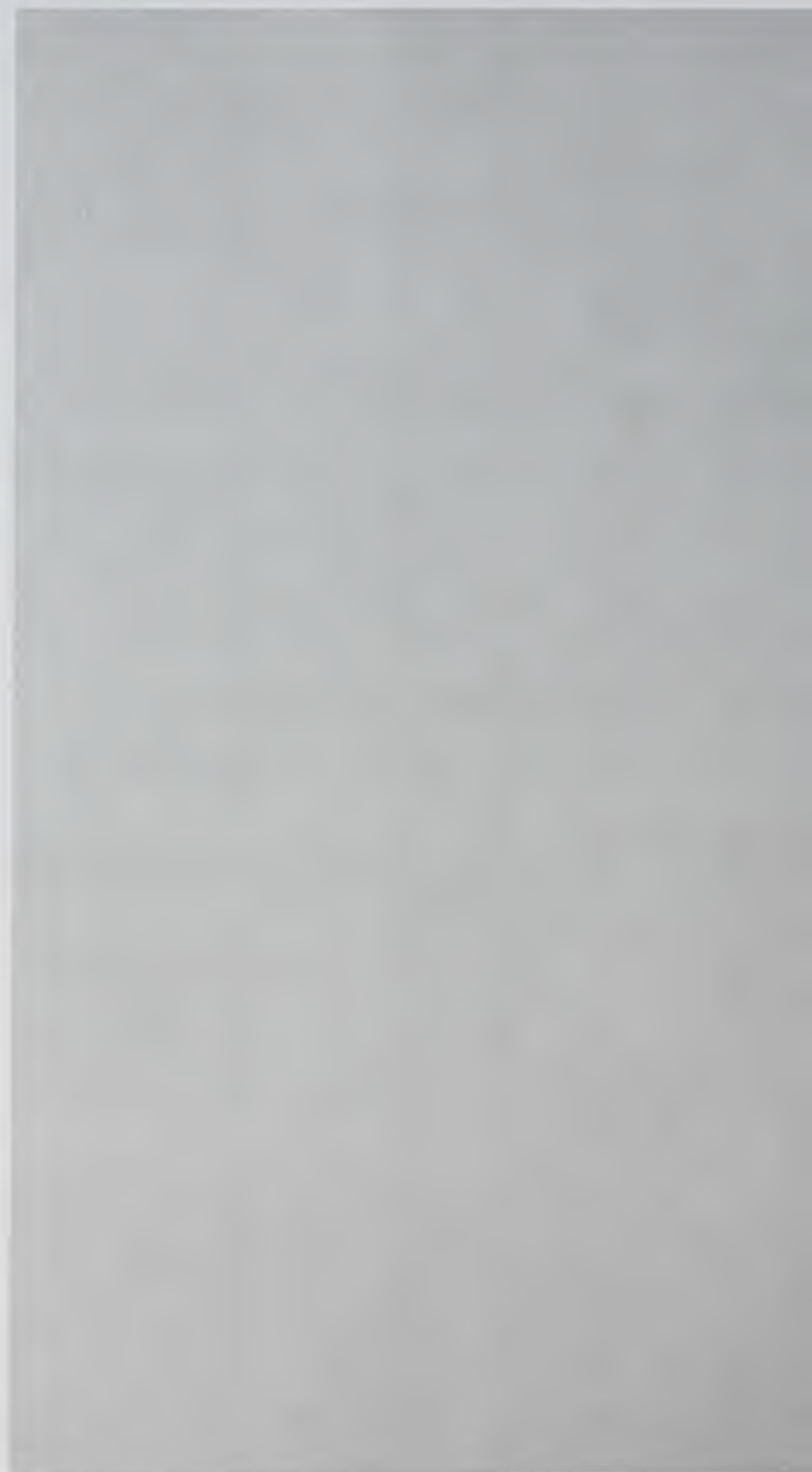
The Society respectfully submits that the Commission consider recommending for suitable action:

- (1) Adequate enforcement of fire prevention regulations, particularly slash disposal, and restriction on the indiscriminate issue of fire permits.
- (2) Insistence by railway companies that contractors supplying ties, poles, or other forest products to the railway, observe the regulations and provisions of the Forest Act.
- (3) Discontinuance of the practice by the railways of using sapling trees with potential timber value for car stakes or any other purpose.

It is scarcely necessary to make the comment that our railways must owe their stability to our natural resources. Save the forest and you help save the railways of Canada. The prevention of forest fires will add incalculable millions to future railway revenues in Canada.

Mr. Keith, whose statement is included with this submission, is but one of many persons who, had the forest areas been preserved, might now have been residents along the line of the Grand Trunk Pacific Railway, helping to develop its resources and making that branch a much more valuable asset to the Grand Trunk shareholders and to the people of Canada than it has proven.

The past must be the guide to the future. "An ounce of prevention is worth a pound of cure."



Mr. Pelton
Mr. McCrossan
Mr. Macfarlane

THE CHAIRMAN: You have your statement there, Mr. Pelton?

MR. PELTON: Yes, sir.

THE CHAIRMAN: Anything further, Gentlemen?

We have received a number of communications in writing; these will be acknowledged and duly considered.

Mr. Mayor, you spoke of contemplated representations in writing by the municipality.

ALDERMAN BENNETT: Yes, sir.

THE CHAIRMAN: We shall be leaving here tomorrow at midday. Those representations will take some little time to compile, I presume?

ALDERMAN BENNETT: Our Corporation Counsel, Mr. George E. McCrossan, is present. I think he had better speak to you, Mr. Chairman.

MR. McCROSSAN: If your Lordship will permit a written statement to be filed with the Commission we will be pleased to prepare and submit it to you. I have not sufficient definite instructions to make any representations at the moment.

THE CHAIRMAN: We shall be very glad, Mr. McCrossan, if you will forward a statement after you have taken sufficient time to prepare it properly.

MR. McCROSSAN: Yes, Sir.

THE CHAIRMAN: Mr. Macfarlane, you have already submitted some material which, of course will be considered by the Commission. I understand that you wish to read a short memorandum.

MR. A. K. H. MACFARLANE (President, Vancouver Terminals, Limited): Of course, Mr. Chairman, I do not

need to spend the time of this Commission to impress upon its Members the importance of terminals to a Port like Vancouver. You know all about that.

THE CHAIRMAN: Yes.

MR. MACFARLANE: I should like to submit this short memorandum to you:

Vancouver, B.C.,
December 11th, 1931.

The Vancouver Terminals Limited, after having as concisely as possible on this date placed its views in regard to the terminal situation at the Port of Vancouver before the Royal Commission on Railways and Transportation, suggests to that Commission that it embodies in its report as its considered opinion, that the creation of a great traffic terminal in English Bay to serve the whole Port of Vancouver would materially reduce the cost of transportation to, from and through the Port and be of benefit to the railways, shipping and general community doing business there; and recommend that such terminals be permitted to be established.

THE CHAIRMAN: Thank you, Mr. Macfarlane.

THE SECRETARY: The Chairman desires me to announce that submissions in writing have been filed with the Commission by:

Mr. George A. Walkem, Consulting Engineer of
Vancouver;

Mr. Robert Davies, also of Vancouver;

Mr. J. G. Evans of Colwood, B. C.

Those three additional submissions will be filed, Sir.

THE CHAIRMAN: Does any other gentleman desire to make a statement to the Commission in respect of the matters that we are considering?

Then we will adjourn.

(At 11.15 a. m. the Commission
adjourned.)

ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

The Royal Commission appointed to inquire into the whole problem of transportation in Canada, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable future developments of the country, met at the Court House, Calgary, on Monday, December 14, 1931.

PRESENT:

RIGHT HON. LYMAN POORE DUFF, P.C.,	Chairman
RIGHT HON. LORD ASHFIELD)
SIR JOSEPH W. FLAVELLE, Bart.,)
BEAUDRY LEMAN, Esq.)
LEONOR FRESNEL LOREE, Esq.)
WALTER CHARLES MURRAY, Esq.,)
JOHN CLARENCE WEBSTER, Esq.)
	Commissioners
Arthur Moxon, Esq., K.C.,	Secretary
George W. Yates, Esq.,	Assistant Secretary

PUBLIC MEETING

Representations were made by:

Mr. A. C. Fraser, President Calgary Board of Trade.	
Dr. O. H. Patrick,)
Mr. L. R. Lipsett,)
Mr. L. A. Tupper,)
	For Alberta Coal Operators Association.
Mr. Norman F. Priestley, Vice President, United Farmers of Alberta.	

Court House, Calgary,
Monday, December 14, 1931.

MORNING SESSION

The
Commission met at 10.30 a. m.

THE CHAIRMAN: The nature of our inquiry is no doubt understood; it covers the whole subject of transportation in Canada, with special reference to the two railway systems, in view of the financial difficulties under which the National Railways have been labouring and the reduced revenues of the Canadian Pacific.

We shall be glad to hear any representations that are likely to be of help to us in our investigation.

MR. A. C. FRASER (President Calgary Board of Trade): Mr. Chairman and gentlemen of the Commission, in the absence of his Worship, Mayor Davison, I welcome you to Calgary. I trust your deliberations will be pleasant, and I am quite sure they will be of profit to the country.

THE CHAIRMAN: Thank you.

MR. FRASER: I have a brief memorandum to present on behalf of the Calgary Board of Trade. I will read it:

In your inquiry into the present problem of railway transportation in Canada, I am informed that you intend to give special consideration to the subject of the competition of motor vehicles operating as public carriers.

I believe it is agreed that such motor transportation is here to stay, and it is my opinion that the sooner this is recognized and proper regulations established for

the operation of this new system of transportation the better it will be for us all.

Under existing conditions I as a taxpayer am bearing my share of the loss in a railway system controlled as to its charges and regulated as to its service, and at the same time I am obliged to pay my share of maintaining highways, the cost of which maintenance is substantially increased by an element which is competing with this railway in an uncontrolled and unregulated manner.

Since the creation of the Railway Commission in 1906, rates and services have been controlled with benefit alike to the public and the railroads. This experience leads me to believe that similar control of public carriers by motor would be found of advantage to all forms of transportation, and would result in properly placing upon motor freight and passenger carriers a fair proportion of the cost of maintaining highways, built at great cost but not in anticipation of the heavy burden which this class of traffic imposes.

With proper rental tolls for use of our highways, fair and equitable rates for passenger and freight, and regulated services established, this new system of transportation would of course compete with our railroads, but on a proper basis, and the public would be left to choose as between the two services.

THE CHAIRMAN: Thank you.

THE SECRETARY: There are submissions in writing, Gentlemen of the Commission, from The Spruce Manufacturers Association, which has its headquarters at Calgary, filed by the Secretary, Mr. J. R. Poole; certain additional representations on the same matter by the President of that

Mr. Fraser
Dr. Patrick

Association, Mr. J. F. McMillan, of Edmonton; and the Mountain Lumber Manufacturers Association.

THE CHAIRMAN: Those representations will be duly considered.

Dr. Patrick, I understand that you and your associates desire to make some representations to the Commission.

DR. O. H. PATRICK (For Alberta Coal Operators Association): Yes, Mr. Chairman. We have had very little notice of your coming here, consequently we have not a thoroughly prepared statement to present to you of some of the things that we think would be a possible help to the solution of our troubles not only in connection with the railroads but also the industries of this country, particularly the coal industry.

I presume that most of the information I may be able to give you is already in your possession. For instance, we have an abundance of coal in this country, and there is none in one of the central provinces. For the past five or ten years we have been trying to solve the trouble of getting our abundance of Alberta coal into the province of Ontario. Up to the present date we have not been able to solve that trouble. We have reached only a slight solution -- we have sent from 30,000 to 35,000 tons per year into Ontario the last two or three years.

To make my statement as short as possible, Mr. Chairman, our difficulty is the freight rate on our commodity. As we conceive the matter, the railroads have their investment amounting to hundreds of millions of dollars. We in Alberta have an investment in our mines of several million dollars. This capital would probably not have been invested to the same extent if we had had foresight as good as our hindsight, but nevertheless it is invested.

The railways in our view are being utilized only to a fraction of their ability to serve; and I can show the same condition in respect to our mines. At present the domestic coal mines of Alberta are being worked for considerably less than one-third of their time. There is not a market for more than two-thirds of what they are capable now of producing. I happen to be familiar enough with the situation to know that in the last thirty days only one mine has been running on an average of over two days a week. We in western Canada are also impressed as we drive through the country by the casual traffic; there are very few freight trains going over the rails.

The solution we offer would, we believe, bring about the employment of this capital for just a little more of its time, and consequently reduce the cost of carrying tonnage, and there would be a tremendous benefit to all sections of the Dominion by bringing about more employment on the railroads and in the mines of western Canada. In this province by reason of lack of market and high freight rates our production of coal has been very seriously diminished with resultant unemployment among the miners.

I have gone further than I intended, and I will now introduce the written memorandum which we prepared somewhat hurriedly this morning.

THE CHAIRMAN: If you wish to supplement that by a more elaborate presentation, we shall be glad to have it.

DR. PATRICK: I do not know that I have any particular desire to do so, but the matter has taken such a hold of me personally that I felt when I got started I could not help speaking on it. I have lived in this country all my life and know conditions very well, and I do feel that there

is a chance of solving the railway difficulty through the coal industry. It does seem too bad that we have a hundred million dollars going out of Ontario every year for American coal, while we have thousands of our people starving for lack of work. We can give them that work, and we are all ready to give it to them. It is not a matter of putting more capital into our mines; these mines are lying idle, and our money is going over to the United States.

I think Mr. L.R. Lipsett and Mr. L. A. Tupper who are associated with me in this presentation will be glad to supplement what I have said.

COMMISSIONER LOREE: Could you tell me the British thermal units of your coal?

DR. PATRICK: If you gentlemen are familiar with the burning of coal --

THE CHAIRMAN: Mr. Lorie is very familiar with the burning of coal.

DR. PATRICK: The B. T. unit per pound of coal is one thing, but there are many others that enter into a good fuel. Our fuel has been recommended by many people competent to judge as being the best domestic coal that can be found in Canada. Our B.T.U.'s are lower than in some other coals, and they vary quite a lot; we have good, bad and indifferent grades of coal from the standpoint of B.T.U.'s. But if you want coal shipped into Ontario, I may say that our coal on the B.T.U. basis ranges from very high to very low.

COMMISSIONER LOREE: What is the range?

DR. PATRICK: From 9,500 to 11,500 for the domestic fuel.

COMMISSIONER LOREE: What are the miners wages per ton or per hour?

DR. PATRICK: Some of the men work by the hour, others at piece work by the ton.

COMMISSIONER LOREE: What do they get when they work by the ton?

DR. PATRICK: It varies, but this probably will answer your question. Our wages in Alberta are somewhat higher than they are in other districts, and we are trying to arrange a reduction of our wage scale. We are in hopes that the freight rate could be arranged on such a basis that we could go to our labour people and say: We can do so and so if you will do so and so.

THE CHAIRMAN: What are the actual wages, to begin with?

DR. PATRICK: Our highest paid men outside of the key men, our machine men cutters will earn from \$9 to \$15 a day. Those men run very expensive machines.

THE CHAIRMAN: What is the working day?

DR. PATRICK: An eight hour day. The average man in the mines will make from \$6 to \$7.50 per day. I am speaking of one mine that I am more familiar with than any other.

SIR JOSEPH FLAVELLE: That is on piece work?

DR. PATRICK: Yes.

COMMISSIONER LOREE: Do you have natural drainage or have your mines to be pumped?

DR. PATRICK: We have to pump. Some of the mines have not got any water content at all. Very few of the mines will drain by gravity.

COMMISSIONER LOREE: How deep are the mines?

DR. PATRICK: They vary from 175 feet above the railroad track to as much as that below it.

COMMISSIONER LOREE: What is the average cover over

the vein?

DR. PATRICK: In the mountains the seams are all sloping, in the Drumheller District they are flat seams. The average cover in one district is 250 feet, running down to 160 feet above the railway tracks where the mine is on the side of the mountain. Then on the river bottom where they go in from the hill it will run from 400 feet down possibly to 80 feet.

COMMISSIONER LOREE: They are mostly drift mines?

DR. PATRICK: Quite.

COMMISSIONER LOREE: What is the carbon content of the coal?

MR. TUPPER: It runs in the Drumheller District about 46.

THE CHAIRMAN: What about the others?

MR. TUPPER: Some run very high, 53.

MR. LIPSETT: The carbon content runs from 52 to 53 for domestic coal.

MR. TUPPER: It is a very free burning coal without any smoke at all.

LORD ASHFIELD: What is the difference between the price of foreign coal in Ontario and that of Canadian coal?

DR. PATRICK: I might answer the question by saying this: We have figured for some time in connection with it, and if our coal was put in at the mine head cost it would be necessary to get reduced costs of labour. If this could be arranged we could quote our coal possibly at \$3 per ton, which is lower than anything we have been quoting up to the present time. We think there might be a chance of getting \$3 off the mine head costs. At present we have a \$6.75 freight rate, and we are able to put down only

Dr. Patrick

30,000 tons. If we had a reduction of the freight rate to \$5 we could probably put down 75,000 or 100,000 tons. But what we figure to make that a complete success so we could put into Ontario from 1,000,000 to 4,000,000 tons would be a \$5 rate. With a \$5 permanent rate it is thought by the majority of the men who have given it study that we can replace American coal with coal from Central Alberta; that is, in the Central Ontario market.

LORD ASHFIELD: What is the present freight rate, \$6.75?

DR. PATRICK: It is \$6.75 to Central Ontario points from Alberta.

LORD ASHFIELD: You are asking for a reduction of \$1.75 a ton.

MR. LIPSETT: That is about it, sir. The actual rate is not \$6.75. That is the rate paid by the coal industry, but the government gives a subsidy in addition amounting to nearly \$2 per ton. The actual sum received by the railway is considerably over \$8 per ton.

DR. PATRICK: That was the rate agreed upon at the investigation where the provincial governments and the Dominion government met the railroads and arrived at the cost price.

THE CHAIRMAN: What is the price of imported coal in Ontario?

DR. PATRICK: It will run from \$12 to \$14 a ton.

MR. TUPPER: From \$10 to \$12 for anthracite coal.

DR. PATRICK: Did you have in mind the selling price in Ontario?

THE CHAIRMAN: The price of the competing imported coal in Ontario.

MR. LIPSETT: The price to the public I understand is about \$17 a ton. I do not think we know the mine head price.

DR. PATRICK: That varying as it may, this price of \$8.50 for our coal in Ontario will bring us a little advantage in competing in that market.

SIR JOSEPH FLAVELLE: Is this the 2,000 or the 2,200 pound ton?

DR. PATRICK: The 2,000 short ton.

LORD ASHFIELD: Could you give any indication of the size of the potential market for your coal in Ontario?

DR. PATRICK: They bring into that province alone one hundred million dollars worth of coal every year.

SIR JOSEPH FLAVELLE: Have you demonstrated to the satisfaction of the users of your coal in Ontario that it is equal to the coal they had been burning?

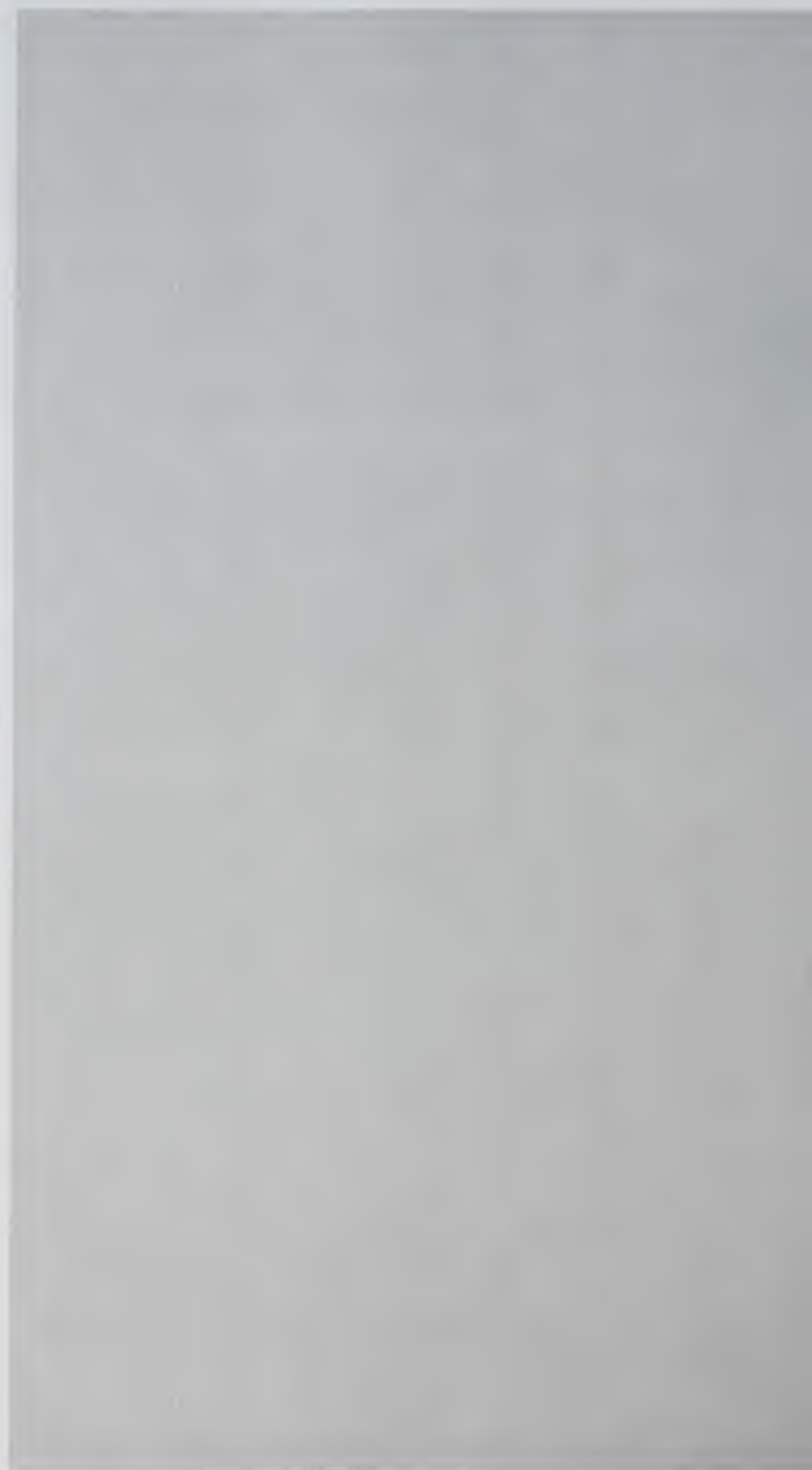
DR. PATRICK: In this province we have good coal, medium coal and bad coal. I would hope that if some freight rate was arrived at whereby much of our coal could be sent down there some way of classifying the coal could be arranged, so that the Ontario buyer would know what he is paying for. We have Alberta coal sent to Ontario that should not have gone there. That should be regulated in some way.

SIR JOSEPH FLAVELLE: That rests with you here.

MR. LIPSETT: With the government here.

DR. PATRICK: Yes, I think we could find a solution for that part of it if we had the other part.

SIR JOSEPH FLAVELLE: You say that with this lower rate you would be able to ask labour to make a contribution. What is the labour cost per ton of coal on the basis which you have indicated?



DR. PATRICK: We figure roughly that 80 percent of our cost is labour.

SIR JOSEPH FLAVELLE: You say that out of a \$4 cost at the mine head \$3.20 goes to labour?

DR. PATRICK: Yes, reaching out in many directions. I have heard the statement made time and again that 80 percent of our cost is labour.

MR. TUPPER: That was stated in the Trinan report.

SIR JOSEPH FLAVELLE: Have you any knowledge of the mine head cost of the Pennsylvania coal that comes to Canada?

DR. PATRICK: I have not.

MR. TUPPER: It runs from \$7 to \$8. I do not know what it is this winter.

SIR JOSEPH FLAVELLE: Not at the mine head?

MR. TUPPER: It has been as high as that. It has been up to \$6 and \$7.

DR. PATRICK: I do not think it would average that high, but I am not in a position to say. I could not give you the mine head cost of the Pennsylvania coal.

MR. TUPPER: It has been as high as \$8.

MR. LIPSETT: I think we should not ask you to take that figure as correct. I think we are not accurate in the figure Mr. Tupper suggests as to the Pennsylvania mines. We could get an approximate figure and send it to you.

THE CHAIRMAN: Quite so. Some part of the Ontario supply is Welsh anthracite. Do you happen to know how much?

DR. PATRICK: Yes, we know that there is Welsh coal coming in there. We believe it will continue to come in, and we are in favour of it. There is no disposition on the part of western Canada coal operators to replace Welsh coal; it is a case of our replacing American coal more particularly.



THE CHAIRMAN: Is there anything further?

MR. L. R. LIPSETT (For Alberta Coal Operators Association): Perhaps, sir, I might be allowed to take up your time for a moment. Dr. Patrick is Vice President of our Association. Unfortunately our President, Mr. Cook, who has signed the memorandum which we are submitting to you, was unable to be present. I happen to be Chairman of the Committee of the Association which looks after the question of freights. Dr. Patrick has put the matter to you more or less from the point of view of the coal industry. We must of course realize that your main interest in this question is from the railway point of view.

THE CHAIRMAN: Quite so.

MR. LIPSETT: We feel that unless we can put up to you something to satisfy you that we are at least being helpful to the railways, we should be wasting your time as well as our own in coming before you. I should like to say at once that we are not taking any position of hostility or criticism to the railways; we are here to offer what we think may be a fair contribution -- a contribution which will help the industry in which we are directly interested, and at the same time will be helpful to the railway companies.

The present position of the railways, of course, is so unsatisfactory that something will have to be done, otherwise the evil from which the railways are suffering will become progressively worse. We feel that the suggestion we are making is worthy of consideration and is economically sound from the railway point of view.

Under the present conditions and the present freights the haulage of coal is actually decreasing over the railways. As it decreases the cost of course to the railways is greater

per ton, and the evil therefore is progressive. At present rates we are convinced that coal will be carried in diminishing quantities as time goes on not only to the present markets, but the possibility of taking it to further markets will be absolutely out of the question.

Our submission is along two lines. One is that the markets at present existing should be extended; in other words, that in conjunction with the railways and the government we should put our Alberta coal into central Canada and keep this enormous sum of money that is going out of the country year by year so that it may continue circulating in Canada.

We think the direct benefit of that to the railway companies would be this. We think that if we could get a \$5 freight rate -- which I say at once is a very low rate -- we could after a year or two put 4,000,000 tons of domestic coal into Ontario out of the approximately 15,000,000 tons that is coming into that province from outside sources. If we could get 4,000,000 tons of our coal into Ontario at a freight rate of \$5 a ton we would be contributing to the railways \$20,000,000 a year, less whatever revenue they are at present getting from the short haul of American coal. If we could do that we would have retained in Canada \$15,000,000 a year approximately -- I cannot give you exact figures -- for the benefit of our railways and our workmen, in addition to which we would have another \$15,000,000 of coal money, that is money which now goes out of the country to America for imported coal would be retained in Canada. We think that would be of great assistance to the railway companies to obtain for them \$15,000,000 additional revenue.

We know that when you get a number of railway experts



figure out the question of traffic costs and a certain decimal point is taken for management, for bond interest, for supervision, for signalling, for marshalling trains, for shunting and for lighting, as well as for depreciation of the rolling stock and permanent way, those costs can be built up to a much higher figure than the \$5 that we suggest. On the other hand, it must be conceded that nearly all that expenditure, even including current expenditure, will have to be undertaken by the railways whether they carry this additional traffic or not, and that so far as overhead charges are concerned and the interest on their bonds and other fixed charges, those also have to be met, even if there is no traffic carried at all.

Therefore we take the view that if we could give the railway companies this 4,000,000 tons of traffic at a figure which would cover their labour costs, their fuel -- that is, their coal cost -- and make some contribution towards depreciation, anything over that figure would be of some assistance towards meeting general expenses and overhead charges of the railways, and that contribution, no matter how small, would be our share towards helping the recovery of the railways.

We admit that we are not entirely disinterested in making this submission. We admit at once that we are interested in the coal industry. But it is on these grounds that we come to ask you for consideration of our submission, and we believe it is worthy of consideration because if we can give any help to the railway companies over and above their actual out-of-pocket costs we are contributing something towards lessening the evil which at the present time the country and the railroads are suffering from.

The second point upon which we desire to lay some stress is the expansion of the actual existing markets for our coal. Those markets are suffering and are becoming less from the railway point of view. Our present markets are in Manitoba, Saskatchewan and Alberta. Until recent times those markets were supplied largely by coal. When we get down to Winnipeg, which perhaps is our largest market, we find that American coke and American coal, which are used in central heating plants, are competing against us, and at a very much reduced revenue to the railways. That is to say, instead of getting the freight on our Alberta coal, they are getting a much reduced freight on American coal.

That is not the only competition the railways are suffering from down there, because owing to the present coal rates to Winnipeg, coal is now being trucked into that city and into Regina. That menace at the start was confined to short hauls of from ten to fifteen and twenty miles; at the present time I am perfectly safe in saying that trucks are hauling coal as far as seventy-five miles and in some cases up to one hundred miles. This of course is taking away traffic from the railways.

When we come a little nearer home, to Regina, we find the coal industry is being threatened by the piping of gas into that city. At the moment that perhaps is not going to take place, but the threat is there and unless it is met in advance by the coal industry giving cheaper coal to that point, and by the railways hauling it there at a lower rate, there is no doubt whatever that that gas menace will become very acute and the railway companies in order to compete with it will be forced to reduce their freight rates very considerably; but at that time they will have to reduce their

rates when their tonnage is perhaps halved, instead of retaining their present full tonnage and perhaps increasing it.

When we come still nearer home in the Province of Alberta we find trucks in sharp competition with the railways, and meeting the railways at almost all points on the present freight rates. The mine I operate is a very small one, but two or three small mines around my own are delivering more tonnage by truck than I am able to ship over the railway. I admit I am a very small outfit compared with some of those in the industry, but that has been my own experience and I believe it is pretty general.

With respect to the retention of the existing markets, we feel that unless the railway companies can do something to get their costs and their freights down they will lose the existing markets for coal to a very large extent. On the other hand, we think it would be better policy for the railways, just as it would be better policy for us, to face the situation before it is too late and get both our coal costs and our railway freights down to a point that would enable us not only to hold those markets but to increase our hold on them.

Those, sir, shortly are the two points we have submitted to you in our short memorandum. If the matter is to be investigated further we shall be only too anxious to put in further facts and to give every possible help to the Commission.

We are extremely grateful for the courteous hearing. We are confident that the recommendations which you may make to the government will help in restoring prosperity to the railways and to the country.

COMMISSIONER LOREE: In answer to an earlier question

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Mr. Tupper

of mine you said your highest paid men were getting \$15 a day. What were they getting in 1913?

DR. PATRICK: The men drawing \$15 a day are handling machines that were not in existence in 1913. The men who were handling a very much smaller machine at that time would probably be getting from \$10 to \$11 a day.

COMMISSIONER LOREE: You also spoke of men who are getting \$9 a day. What were they getting for similar kind of work in 1913?

DR. PATRICK: Practically the same money. Our wage scale has been the same for several years. There has been no reduction yet.

MR. TUPPER: In 1913 the day wage for outside men was \$2.75; today it is \$4.41. The underground men I think were getting three dollars and something; today they get \$4.57 and \$5.35. Drivers -- those who drive horses -- get \$5.35 for an eight hour day from bank to bank. They do not work eight hours actually in our mine; they have to walk a mile and a half to get in there and out.

COMMISSIONER LOREE: In 1913 was it a ten hour day?

MR. TUPPER: It was a nine hour day.

THE CHAIRMAN: And the wage was?

MR. TUPPER: I think \$3.25 for the drivers. That is my impression, I am not absolutely sure. I know outside men were getting \$2.75. The drivers today are getting \$5.35.

MR. LIPSETT: I might add, Mr. Chairman, that if we could get increased markets, and we could give the men immediately constant employment the year around, the wages they would accept would automatically become lower. They put their wage claim to us in this way: They are only working from one to three days a week, and for a considerable portion



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of the year they are not working at all. If we could increase the market and get continuous employment for the men during the winter by securing the Ontario market, as we have suggested, we could automatically reduce wages very substantially.

COMMISSIONER LOREE: The rate you have been talking about to Ontario is all-rail?

MR. LIPSETT: All-rail.

COMMISSIONER LOREE: Is it practicable to ship your coal to Fort William and then send it by boat down to Ontario?

MR. LIPSETT: We think not; that has been considered.

DR. PATRICK: I might add for your information, sir, that that has been considered, and it would not be practicable. The rough handling of the coal into the boats would break it up too much.

SIR JOSEPH FLAVELLE: You spoke of two or three mines near you trucking their coal. Are the trucks operated by the mine owners?

MR. LIPSETT: No, sir; generally they are operated by independent individuals.

SIR JOSEPH FLAVELLE: I do not mean to use the term offensively at all, but I suppose you might call them bootleggers.

MR. LIPSETT: Snowbirds we call them. Why that should be applied to men trucking coal I don't understand.

SIR JOSEPH FLAVELLE: Of course, they have had no opportunity of determining the wear and tear on their trucks; they are out of work and make use of their truck to earn some sort of wage.

DR. PATRICK: They are mostly farmers trucks.

MR. LIPSETT: Not in our case.

SIR JOSEPH FLAVELLE: You have not an organized truck service in competition with an organized railway service?

DR. PATRICK: We have not.

MR. LIPSETT: No, sir, not at present. That might easily develop, because at the present time those men are in close touch with each other and more or less fix -- I will not say stabilize-charges among themselves.

SIR JOSEPH FLAVELLE: I think you will agree that an organized truck service would have to give some consideration to operating charges -- obsolescence and repairs -- which at the moment the truck operator is not taking into account.

MR. LIPSETT: I do not think those men consider depreciation at all as would an organized concern. I think the railways will always have that competition, subject to anything that may eventuate from this inquiry, because there are always a number of these young men with trucks who are quite anxious to work at coal trucking when they have not any other work to do.

COMMISSIONER LEMAN: As far as the coal mines are concerned those men provide a cheap means of transportation.

MR. LIPSETT: That is so, sir; except this that the mines as a body -- I can speak quite definitely for my own mine and I think also for the others -- much prefer to stand in with the railways and have a regular and genuine service all the year round to all points. If the mines could deal exclusively with the railways I think they would prefer to do so.

DR. PATRICK: In the Drumheller District there are a number of waggon mines that are not on the railway at all.

MR. LIPSETT: They are very small, of course.



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Mr. Lipsett

DR. PATRICK: Yes.

SIR JOSEPH FLAVELLE: They deliver direct to the farmers?

DR. PATRICK: The mines do not; but the trucks go there in preference to going to the mines on the railroad.

MR. TUPPER: They haul to towns fifty or sixty miles away and sell the coal. They become coal dealers in those towns.

LORD ASHFIELD: In any event yours is a railroad, not a road problem.

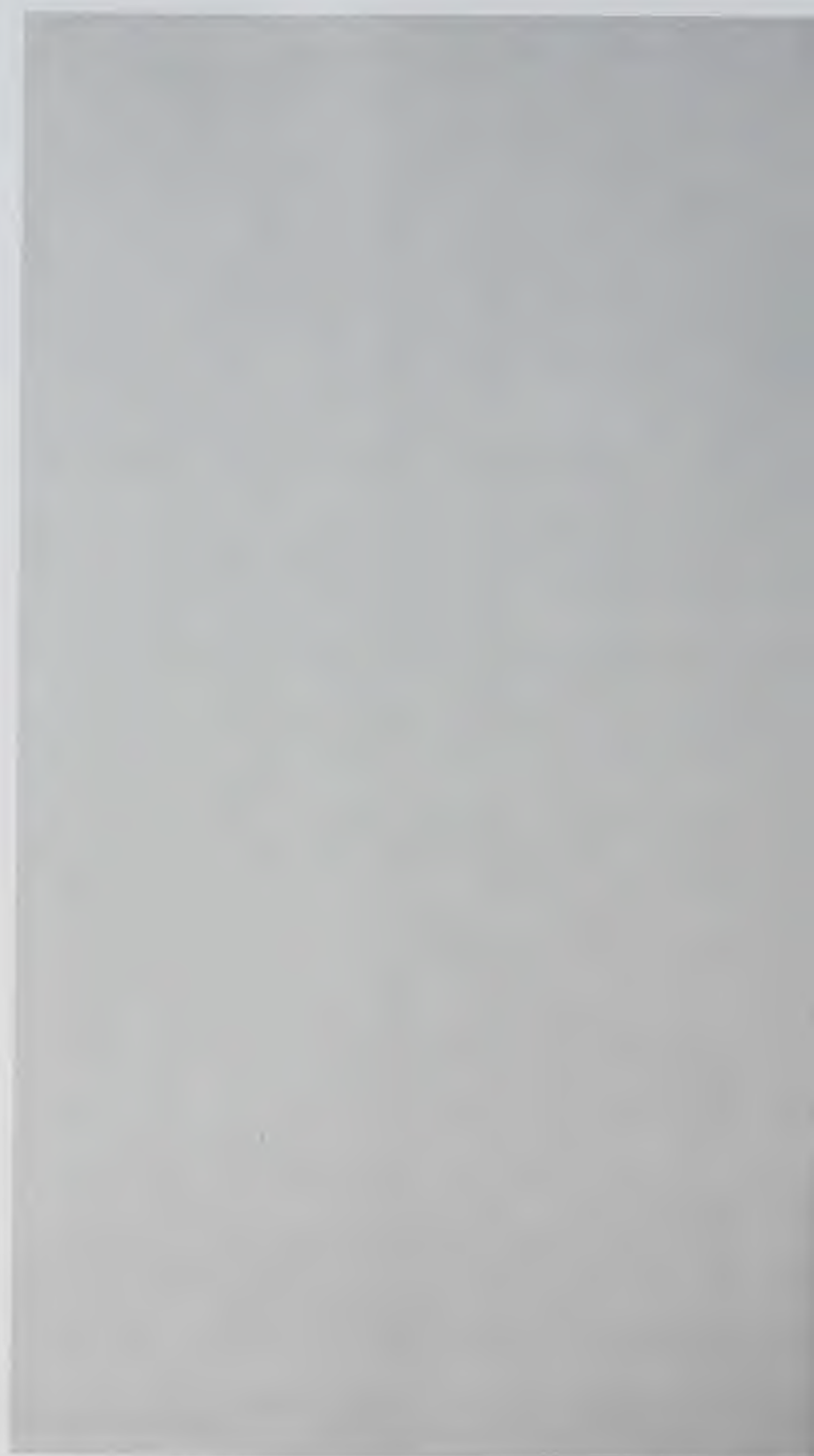
MR. LIPSETT: Railroad entirely, sir. As no doubt you are aware, in the Old Country coal has been entirely taken out of the ordinary classification and put in a special classification by itself, having regard to the difficulty of getting it exported. It is practically the same trouble here to get our coal into Ontario; it requires special consideration and a special classification on the part of the railways, just as it requires special costing and special reduced prices on the part of the mine owners if we are going to succeed.

SIR JOSEPH FLAVELLE: You spoke of competition with gas. Have you competition with oil?

MR. LIPSETT: Quite a bit, Sir Joseph. Gas is quite prominently before our mines because it has been up before the people of Regina quite recently.

SIR JOSEPH FLAVELLE: It is piped, of course?

MR. LIPSETT: It is to be piped. Something has happened to kill the project at the moment. If we take time by the forelock and really show the people of Regina that we could give them cheap coal both by our own efforts at the mines and by our efforts in conjunction with the



railways to reduce freights, we think probably we could defeat the proposal forever, both for the benefit of the railways and of ourselves.

THE CHAIRMAN: We are very much obliged to you.

You have some communication that you would like to us on behalf of your organization, Mr. Priestley.

MR. PRIESTLEY: Yes, I have a written submission.

THE CHAIRMAN: Would you kindly read it?

MR. NORMAN F. PRIESTLEY(Vice President, United Farmers of Alberta): Yes.

Mr. Chairman and Gentlemen:

It is our wish to present before your honourable body some considerations from the point of view of the farmers of Western Canada with respect to the general problem of transportation in the Dominion, having particular regard to present conditions and future developments as affecting Western Canadian agriculture.

We believe it to be generally agreed that the interests and well-being of Canada are intimately bound up with the prosperity of Western agriculture.

May we say at the outset that our railway systems, particularly those of the Western Provinces, have been brought into being in a comparatively few decades; and that the problems now faced by government and people with respect to those systems are the direct result of efforts on the part of private interests to secure franchises and establish themselves in profitable enterprises without regard to the interests of Government or the well-being of the people as a whole. The entire process of railway building and development in the past has been characterized by the remarkable absence of intelligent

planning with a view to the interests of the people. It is notorious that the systems comprising the present Canadian National Railway were taken over by the Government because of the bankruptcy of those systems, and the inability of their respective managements to continue to operate the same.

We submit that the time has come when definite steps should be taken to make the railways of Canada serve the interests of the Canadian people. A continuance of the present competition between the two railway systems is but perpetuating the waste which was involved in their conception and development. Amalgamation has become imperative.

Amalgamation of these railways would create a monopoly. Monopoly by private interests in such a vital matter as the transportation systems of the country would be unacceptable to the nation as a whole. We therefore urge the amalgamation of the two systems of railways; and further urge that the ownership and control of the amalgamated systems be vested in the Government of Canada; and that the railways be operated by a Board responsible to the Parliament of Canada.

It is unnecessary to trespass upon the time of the Commission to multiply examples of the waste to which reference has been made. May we briefly allude to a few outstanding instances. While there are still large areas of well settled country without railway facilities, there are hundreds of miles of territory traversed by both railways within sight of each other. For example, Edmonton West to the Yellowhead Pass; Saskatoon to Unity in Saskatchewan; Croner, Manitoba, to Peebles,

Saskatchewan; and the three transcontinentals connecting Eastern and Western Canada through Northern Ontario.

In British Columbia expensive stretches of railway cling to the same mountain side for many miles.

Another instance of the wastefulness of competition may be cited in the building of our numerous railway hotels, far in advance of present traffic requirements. Hotels, involving a capital investment of several millions of dollars each have been erected by both railway systems. There is little hope of the income derived from these hotels being sufficient to meet service and maintenance charges, much less take care of interest on investment. In so far as the National system is concerned, proof of this can be found in the evidence given before the special committee of the House of Commons appointed in 1931 to inquire into the financial standing and operation of the Canadian National Railways. There is no reason to doubt that a similar condition obtains with respect to the hotels of the Canadian Pacific Railway .

The foregoing instances of the wastefulness of competition are a few of the considerations among many which we believe warrant the conclusion that ownership and operation of our railway systems by private interests have failed to bring satisfactory results, and that such results can only be obtained as above stated, by Government ownership and operation.

Apparently in an effort to discredit the principle of public ownership as applied to railway systems, critics of the Canadian National Railways have frequently stressed the heavy indebtedness of that system, and more

particularly that portion of the indebtedness due to the Dominion Government. It has been stated, for instance, that the capitalization of the Canadian National system is \$2,655,000,000. The Canadian National Railways system is embarrassed with these capital charges because of the extravagance and inefficiency obtaining in the various systems which were brought together to constitute that system. There were also extraordinary expenditures involved in the coordination of these various units in the one system.

We submit that it is incorrect to describe this grand total of liabilities as the capitalization of the system. In our opinion, differentiation should be made between the debt made up of bonds and debentures held by the investing public, of \$1,283,000,000, and the amount of \$1,367,000,000, which represents the total outlay of public monies in bringing the National system into being and helping to establish the same. There was for instance the sum of \$604,406,209 loaned over a period of years to the Grand Trunk Railway, the Grand Trunk Pacific Railway and the Canadian Northern Railway in an effort to save them from collapse. This figure is included in the \$1,367,000,000 mentioned above, all of which represents money loaned by the nation to itself. In our judgment, whatever may be the future railway policy of Canada, consideration should be given to the writing off, either in whole or in part, of the sum of \$1,367,000,000 aforementioned. Until this has been done it will be impossible to obtain a true picture of the position of the Canadian National Railway system.

Apart from the broad issues of national policy involved in the foregoing, we desire to submit to your



consideration a matter of serious import to the farmers and other primary producers of Western Canada.

The great decline in price levels of all farm products has thrown into bold relief the large proportion paid for freight charges by the farmer out of the sale price of his commodities. The following instances set forth the facts in several of the principal commodities:

From the statement of the Dominion Bureau of Statistics as set forth in the Canada Year Book we find that the price of No.1 Northern wheat, f. o. b. Fort William, for the eight years 1922-1929, as at July 31st, was as follows:

1922.....	129.7	cents
1923.....	110.5	"
1924.....	107.1	"
1925.....	169.0	"
1926.....	151.2	"
1927.....	146.2	"
1928.....	148.3	"
1929.....	124.0	"

From these figures, which are the average of the daily closing prices and not a weighted average, we derive an average for the eight years of 135.7 cents.

The freight rate from Calgary to Fort William from July 7th, 1922, has been 26 cents per hundred pounds, or 15.6 cents per bushel. This constituted an average of 11.5 per cent of the price received by the farmer at Fort William during these same years. Complete statistics for the current year are not available. It is notorious, however, that prices have touched low levels without precedent in the history of the grain trade in Canada. For instance, towards the close of the harvest season in September, No. 1. Northern wheat ranged around 50 to 54 cents a bushel at Fort William. After

a series of fluctuations ranging from those figures to approximately 75 cents, we find the market closing last Saturday at $60\frac{1}{4}$ cents per bushel. The freight rate of 15.6 cents per bushel from Calgary constitutes 25.8 per cent of the Fort William price to the farmer.

It should be noted that the foregoing figures and comparisons refer to No. 1 Northern wheat, and that the percentage of cost due to freight rates on inferior grades is proportionately higher.

Taking the period of years 1922-1930, we find a similar decline in live stock values. For instance, heavy finished steers at Edmonton are quoted by the same authority over the same period of years at the following average prices per 100 pounds:

1922.....	\$5.04	per 100 lbs
1923.....	4.90	" "
1924.....	4.92	" "
1925.....	5.49	" "
1926.....	6.10	" "
1927.....	7.13	" "
1928.....	9.32	" "
1929.....	8.71	" "
1930.....	7.73	" "

The average for the nine-year period was 6.59 per 100 lbs. The last available quotations from the same market were on December 11th: "good butcher steers, \$4.00 to \$4.50 per 100 lbs."

During the nine-year period 1922 to 1930 the average prices for hogs, thick smooth (fed and watered) at Edmonton, are given by the same authority as follows:

1922.....	\$10.02	per 100 lbs.
1923.....	8.70	" "
1924.....	7.39	" "
1925.....	11.33	" "
1926.....	12.20	" "
1927.....	10.09	" "
1928.....	9.86	" "
1929.....	11.10	" "
1930.....	10.31	" "

The average for the nine years was \$10.11 per 100 lbs. On December 11th, 1931, quotations at Edmonton for butcher hogs (fed and watered) stood at \$2.75 to \$2.85 per 100 lbs.

I may say, Mr. Chairman, that the same classification does not now exist as existed for the previous nine years, but we have chosen the nearest available classification.

From the same statistical authority we find that the total value of field crops for the years 1922-1929 is recorded as follows:

1922.....	\$ 962,000,000
1923.....	899,000,000
1924.....	995,000,000
1925.....	1,098,000,000
1926.....	1,104,000,000
1927.....	1,172,000,000
1928.....	1,125,000,000
1929.....	948,000,000

The average value for these eight years was \$1,038,000,000. The value for 1930 is given as \$631,000,000. From these figures we see that in the year 1930 values in field crops declined about 39 per cent. from the average yearly value of the preceding eight years.

On behalf of the farming community we feel it pertinent to observe that freight rates have been maintained at previously existing levels; and respectfully suggest that in the interests of Canada as a whole and the Western provinces in particular everything possible should be done to relieve the farming community of the heavy burden imposed by existing freight rates. The large economies which might be effected by amalgamation of the two railway systems and their efficient operation under government ownership would make it possible substantially to reduce the cost of transportation on agricultural and other

products. We submit that in any event there are few things of greater moment to the farmers of Western Canada than that an efficient and economical system of transportation be provided to enable the Western Canadian farmer to compete in the world's markets with producers of primary products in other agricultural countries.

While the foregoing representations are made specifically on behalf of the United Farmers of Alberta, we have been asked to associate with ourselves therein the United Farmers of Canada, Saskatchewan Section, and the United Farmers of Manitoba.

THE CHAIRMAN: Mr. Priestley, in putting forward the view of the organization which you represent, that an amalgamation of the various systems under government ownership is the most desirable course, have you considered the mode in which the cost of acquiring the Canadian Pacific Railway system should be borne? In putting that question you must not understand me as in any way whatever implying criticism of your view in regard to amalgamation; I am asking only for information.

MR. PRIESTLEY: Mr. Chairman, I am not an expert in railway matters; I confess to much ignorance about them. I am just presenting the point of view of the farmers of this province and of the other two provinces as set forth from time to time over a period of years by resolutions passed at their annual conventions and by official pronouncements.

THE CHAIRMAN: You have not in mind the purely financial question?

MR. PRIESTLEY: No.

Mr. Priestley

THE CHAIRMAN: The point I am putting relates purely to financial matters; that has not been considered?

MR. PRIESTLEY: I would not say it has not been considered.

THE CHAIRMAN: But to the extent of enabling you to formulate any plan?

MR. PRIESTLEY: No.

LORD ASHFIELD: It may be described then as an expression of opinion on the part of this organization, not supported by any detailed examination of the financial consequences of such a step?

MR. PRIESTLEY: Yes. It is obvious, I think, that farmers organizations are not in a position to conduct the exhaustive inquiry necessary.

LORD ASHFIELD: Quite so.

SIR JOSEPH FLAVELLE: Referring to that part of your memorandum as to the capitalization of the National Railway system had you in mind that on the \$1,258,000,000, which you speak of as being the funded and other indebtedness, no interest charge is made in showing deficits in operation, and that the amount which it is costing the government is simply that represented by the interest which they pay on bonds, plus the actual loss on operating the railway, if there be any. The interest on the remaining capitalization, which you ask should be cancelled, is as far as the actual money charged against the railway is concerned a mere fiction. It is the interest on the twelve hundred million dollars odd, approximately \$60,000,000 a year, that the government assumes; they do not assume the other. They have already contributed somewhat to the other by contributions to the railway systems when under construction. Was your organization aware of that?

MR. PRIESTLEY: We are not making any representations as to writing off the interest charges with respect to the bonded indebtedness and so on. As the Commission I am sure is well aware, the facts have been somewhat sketchily set forth with respect to these things. We have had only a few days to gather our information, chiefly from press sources, largely from the speech of Dr. Manion, and we are not in a position to sum up all the facts in regard to the railway situation.

THE CHAIRMAN: Mr. Priestley, would you care to supplement your written representation by anything further?

MR. PRIESTLEY: No thank you, sir.

THE CHAIRMAN: We are very much obliged to you, Mr. Priestley. Your memorandum will be duly considered.

(At 11.50 a. m. the Commission adjourned).

ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

The Royal Commission appointed to inquire into the whole problem of transportation in Canada, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable future developments of the country, met at the Parliament Buildings, Edmonton, Alberta, on Tuesday, December 15, 1931.

PRESENT:

RIGHT HON. LYMAN POORE DUFF, P.C., Chairman

RIGHT HON. LORD ASHFIELD)	
SIR JOSEPH W. FLAVELLE, Bart.,)	
BEAUDRY LEMAN, Esq.,)	
LEONOR FRESNEL LOREE, Esq.,)	Commissioners
WALTER CHARLES MURRAY, Esq.,)	
JOHN CLARENCE WEBSTER, Esq.,)	

Arthur Moxon, Esq., K.C., Secretary

George W. Yates, Esq., Assistant Secretary

Executive Council

Hon. J. E. Brownlee, Prime Minister and Provincial Secretary

Hon. George Hoadley, Minister of Agriculture and Public Health

Hon. J. F. Lymburn, Attorney General

Hon. O. L. McPherson, Minister of Public Works

Hon. R. G. Reid, Provincial Treasurer and Minister of Municipal Affairs

Hon. V. W. Smith, Minister of Railways and Telephones

Departmental Officials

Mr. J. D. Robertson, Deputy Minister of Public Works

Mr. E. Trowbridge, Deputy Provincial Secretary

Parliament Buildings, Edmonton,
Tuesday, December 15, 1931.

MORNING SESSION

The Commission met at 9.40 a.m.

HON. J. E. BROWNLEE (Premier and Provincial Secretary): Mr. Justice Duff, we have not prepared any particular programme; we did not know what the wishes of the Commission might be in meeting the Government. We shall be very glad to furnish the members of the Commission with any specific information they may wish to obtain, and if you would like us to express an opinion on the general problem we shall do the very best we can. We did not know what your plans might be or what purpose you had in mind in meeting the provincial governments.

THE CHAIRMAN: Well, Mr. Prime Minister, our desire of course is to hear from you and the members of the Government as to the views you have with regard to the general problem, and also as to any specific matters in relation thereto that you would like to bring to our attention. I think the most convenient course, at the outset at all events, would be that you should express any views you have with regard to these matters, either broadly or specifically.

MR. BROWNLEE: Well, Mr. Justice Duff and Commissioners, we have not prepared any formal statement, although I shall be glad to embody in a written submission anything I may say this morning.

In the first place I should like to extend to you and your fellow Commissioners a very cordial welcome to the province. There are two points I might mention that are

perhaps somewhat peculiar to this province. The first is that we are probably the only province in Canada in which there is now in existence a type of cooperative effort between the two transcontinental railway systems that might serve as some indication of the manner in which some of the problems of the two railway companies in Canada could be met elsewhere.

As you probably remember, we were faced some years ago with a premature development of railway facilities to the far north of this province. The map which you see before you shows the settled area to the south and the great undeveloped area of the province in the north. Much ahead of any real necessity, a railway line was extended by private interests into the northwest in an easterly direction to Fort McMurray, designed ultimately to open up the northwest territories, and another line was extended north and northeasterly to open up what is now known as the Peace River country. The private companies, as has happened elsewhere in Canada, finding themselves unable to finance the operation of those roads, went into liquidation, and after first of all attempting to carry on the operation by leasing the roads to the Canadian Pacific Railway Company, the provincial Government was forced to take them over. Operating them for a time we finally completed a sale not to either of the railway companies separately but to the two transcontinental railways, who formed a separate joint operating company known as the Northern Railway Companies of Alberta, and so far as we have since been able to see, the operation of those lines by the two railway companies has been perfectly satisfactory. The only question that does remain to be solved so far as the future is concerned is

whether or not, when the question is finally dealt with as to the necessity of a Pacific coast outlet, an agreement can be reached between the two as to what the proper line should be.

THE CHAIRMAN: With regard to the operating company, the constitution of that was determined by the Canadian National and the Canadian Pacific themselves?

MR. BROWNLEE: Yes sir.

THE CHAIRMAN: Privately, without any intervention on the part of the Government?

MR. BROWNLEE: Yes sir, we had nothing whatever to do with it. Probably the only influence we may have had was along the line of bringing the necessity for joint action to rather an acute stage and forcing the two railway companies to come together and to agree upon an arrangement for joint operation. How the traffic is divided I do not know, but I understand that in a general way the trains are operated by the company as a joint company and that the freight traffic originating in that territory is apportioned between the two transcontinentals as far as the eastern haul is concerned. But my main point is that they have been able to get together in what is a type of the difficulty that confronts the two railway companies in other parts of Canada. So far as the local people are concerned, up to the present time the operation has been perfectly satisfactory, although I am bound to say that when the scheme was first conceived there was a considerable amount of suspicion in Alberta as to whether or not you could have a satisfactory joint arrangement between two companies, one of which was a publicly owned railway and the other a private corporation.

The other thing peculiar to this province is that possibly Alberta is as free as any province in Canada from over-lapping services so far as the two transcontinental railways are concerned. You will probably find from your examination in Alberta that the only possibly over-lapping is in the terminal situation in Edmonton and Calgary, and I do not think the provincial Government would attempt to say that there was over-lapping there -- that is, whether any real economy could be effected by trying to have joint terminals in those cities. In Edmonton the Canadian National has the strategic position so far as terminal is concerned, with their station in the central part of the town; in Calgary the Canadian Pacific has the strategic position. Anything that is worked out along the line of joint terminals should, I think, take into consideration the situation in the two cities and deal with the matter in a fair way. So far as I know, the only other instance of over-lapping is in the line of railway that extends from Red Deer westward to Rocky Mountain House to open up the coal fields in the Nordegg district; the Canadian National and the Canadian Pacific do both start from Red Deer going westward, and the two lines parallel one another, but it is a comparatively short line, I think some sixty miles. It is only a branch line, so that it is not a serious question.

THE CHAIRMAN: It was suggested -- not by either of the railway companies, but from outside -- that there was some duplication in the Drumheller coal district.

MR. BROWNLEE: I am bound to say, Mr. Justice Duff, that is one line I have not personally investigated, and I

do not know whether the other Ministers have any feeling on that point or not.

Now, in presenting our views as a government on the general railway problem in Canada, we realize that we are speaking as rank amateurs. The problem is very, very great, involving as it does the whole consideration of the financial condition facing not only Canada but the world, and we have to speak with a realization of the very little knowledge we have, after all, of the magnitude of the problem. I am quite sure, too, that in what I have to say there will be repetition of what you have already heard, but I take it that the greatest service we can render this Commission in dealing with the extremely difficult problem you are facing is to tell you frankly, without prejudice or bias, to such extent as we can, what we find are some of the general problems surrounding the question. First of all, therefore, I shall make some general observations by way of background to any suggestion we have to make in conclusion.

The first general observation I have to make is that any proposed solution of the railway problem which makes it certain that the whole railway question will become a political issue of first magnitude in Canada should be avoided if possible. I personally fear, and I believe my views are shared by the other Ministers, that the groundwork has already been fairly well laid for such an issue by the rather unfortunate events leading up to the appointment of this Commission, notwithstanding the fact that everybody in Canada realizes that the personnel of this Commission is such that it will face the problem as free from any of these

considerations as possible. The personnel of the Commission, I may say, is something that we consider a very fortunate thing for Canada.

The attacks on the Canadian National Railway at the last session of the Dominion House -- contrary, I am sure, to the wishes of the Dominion Government -- followed by the persistent propaganda that has taken place, largely in certain financial circles both in Canada and the United States, have, I fear, aroused a very great deal of suspicion in the public mind that advantage is to be taken of the present financial crisis to end the Canadian public ownership of railways. You will understand, Mr. Justice Duff, that when I make that statement it is in order that I may do what I conceive to be my duty -- to make it as clear as possible that I think that suspicion was unfortunately created in the public mind and that it is something which I believe cannot be entirely disregarded in facing the whole problem.

Then I suggest, too, that the average citizen may not fully appreciate the financial difficulties of the Dominion Government; we will take that for granted. This provincial Government does not fully appreciate the difficulties of the Dominion Government, although as the result of a recent trip to eastern Canada perhaps I am in the position of having fallen a prey to some of the propaganda and may have an unduly pessimistic view of the difficulties of the Dominion Government. But I submit that the average citizen cannot to-day be fully seized of the seriousness of this position simply by the continued repetition of the amount of capital invested in the Canadian National Railway or the annual loss computed on the basis of the total interest

charge. In other words, sir, I think the time has come when we have to get away from the arguments made in the past which refer simply to the total investment in those national railways and the amount of interest charged and therefore the assumed annual loss which the Dominion Government is facing. We have to get down to something which appeals to the public mind as a little more reasonable and a little more in the nature of common sense. Mr. Average Citizen knows just as well as any one of us around this table what the whole history of the promotion of the Canadian National and the Grand Trunk Pacific has been. He knows also the complete story of their failure, in general terms if not in detail. He knows that the Canadian National Railways to-day as a public utility should not be loaded with a very substantial part of the debt that is being charged against it and therefore of the annual interest load. He knows that in any form of amalgamation that human brains can conceive, the Dominion Government will not be relieved of that burden; they will not be relieved of a very considerable part of it. He knows, for example, that if the Canadian Pacific were to take over entirely the Canadian National, or if any amalgamation were to take place along another line which I understand is being promoted in some quarters, the Canadian National would not go into such amalgamation on the basis of the present assumed capitalization; that a very large part of that capitalization must inevitably be written off. What he wants to know to-day in arriving at a conclusion as to the fairness of any proposed solution is what proportion of that debt is going to be carried

by the Dominion Government for all time to come, as a public debt towards which the taxpayers of Canada must make their contribution in carrying the annual interest charges, just as this province, when we faced the northern railway situation and finally sold to the two railways, had to write off some \$12,000,000 as a dead loss to the province, with the result that the taxpayers have to make whatever contribution is necessary in that regard, paying an annual interest charge year by year and building up a sinking fund that will ultimately retire that debt. So I suggest that a great benefit would be conferred upon the Canadian public if some effort were made to enlighten them with regard to the position in which the Dominion Government will really find itself under any proposed amalgamation, the proportion of the debt they will have to bear and, from that, what after all would be the saving involved in the solution proposed.

My next suggestion is that any proposed solution of the railway problem cannot be based entirely on the emergency of the present financial situation in Canada and the world, however urgent may be that necessity, but must have in mind the future of Canada; and I submit that from the standpoint of the future development of Canada there is plenty of room in this country for two great railway systems. The great south of Alberta, at one time considered to be part of the family of western Canada, to-day is a very thinly settled district; settlement has gradually pushed into the more northerly area, which is to-day the thickly settled portion of the province and the most productive portion. This section is largely served by the Canadian National Railway.



while the Canadian Pacific finds its territory to the south. Further up you have the Peace River country. I certainly will not waste the time of the Commission by telling you anything about the undeveloped resources of this province. But if you will refer to the records taken by the experimental station of the Dominion Government at Fort Vermilion over a period of years, or if you will even get the records of the experimental station at Fort Smith, you will find ample confirmation of two things: first of all, that at Fort Vermilion the average temperatures both day and night from the 1st of May until the end of October, which is the seeding, growing and harvesting period in this province, compare in every way with similar records kept by the Dominion station in Edmonton, where we have one of our finest agricultural districts. You will find there, too, a record of crop raisings over a period of some eighteen years, which indicate that the loss through frost or any other act of God is as little as in some parts here around Edmonton. So that we feel there are possibilities of great development in the northern area, and, subject to something I will say towards the end of my remarks, there is ample room for two great railway corporations in Canada. The Dominion Government alone, of course, can say to the people of Canada whether the financial crisis of the moment is so grave as to make it impossible to look at this railway problem from the standpoint of the longer view, but we feel that the future cannot be overlooked.

Speaking from what I believe to be a knowledge of the mind of the people of western Canada with regard to this railway problem, I suggest that the people of the west will

support any extent of cooperative effort and the elimination of unnecessary competition, but I do not believe they will accept any settlement which eliminates the Canadian National Railway as a publicly owned road, or any amalgamation that results in a monopoly and entirely eliminates competition, unless that monopoly be a government monopoly. In other words, if the financial condition of Canada is such that a monopoly could be formed by the Government taking over the Canadian Pacific Railway Company -- we do not urge that as a provincial government, because that does involve the whole question of the credit of Canada, and we do not presume to speak on that at the moment -- the people of western Canada would endorse that, and endorse it wholeheartedly, believing it to be along the lines of the economic development of the future which we believe is leading more and more to the government operation of what are after all public utilities in every sense of the word. But short of an amalgamation which would create a government monopoly such as I have suggested, I do not believe the people of the West will support any solution of this railway problem effecting an amalgamation which results in a monopoly which in their opinion might be under the control of private interests.

I have already pointed out that the great development in western Canada for the future lies in the northern section and therefore in the territory principally served by the main line of the Canadian National Railways, so that potentially that main line has a great future. As I see it, sir, there are three possible solutions of this problem. The first one I do not think anyone in Canada to-day will seriously advocate, that is, the Canadian Pacific taking over

the Canadian National; so on that I have no comment to make. The second involves the question whether or not by the formation of some separate operating company with a board of directors jointly chosen by the Dominion of Canada and the Canadian Pacific Railway these lines might be taken over and operated by that joint company, leaving, I suppose, the present companies as holding companies.

THE CHAIRMAN: As owner companies.

MR. BROWNLEE: As owning companies, yes sir. That would involve, of course, the termination of the public ownership in Canada through the Canadian National. It would create a monopoly with, in my opinion, a constant suspicion on the part of the people of Canada -- speaking for the producers of grain, very largely -- that private interests were the dominant factor in such an amalgamation. It would involve, of course, the whole question of capitalization, and in such a scheme I take this opportunity of suggesting that one of the things that should be very carefully watched, particularly in western Canada, would be: what is to be done with all of the assets that were given by the Dominion to subsidize the building of the Canadian Pacific Railway and still remain in the hands of that company. Any scheme which would simply put the railways in such a holding company, with the Canadian Pacific Railway Company still owning as a private corporation all the unsold land, all the unpaid purchase price of land that has been sold, and the very large mineral rights they have in western Canada and from which they are receiving a very substantial income, would, I think, create a very serious question in the minds of the western people.

THE CHAIRMAN: Do they reserve mineral rights in the

ordinary sales?

MR. BROWNLEE: Yes sir, they do. In all their sales they reserve the mineral rights to themselves.

THE CHAIRMAN: Under the patents to the Canadian Pacific they got all the mineral rights?

MR. BROWNLEE: Yes.

THE CHAIRMAN: Precious metals as well?

MR. BROWNLEE: I believe not, sir, but I am not sure of that.

THE CHAIRMAN: All the base metals, and the coal?

MR. BROWNLEE: If you turn to any annual statement of the Canadian Pacific Railway Company you will find one very significant item, and that is that they put in all their unsold land and all their mineral rights at the sum of one dollar, but they also show an annual income of several hundred thousands of dollars from that one dollar. That is an item in the balance sheet of the railway.

THE CHAIRMAN: I am afraid I did not get your answer to the first question. Do they reserve the coals?

MR. BROWNLEE: Yes, as they sell the land which they themselves received with mineral rights they reserve those mineral rights to themselves. Forty per cent of our present coal resources in this province pay no royalty to the Crown. Forty per cent of our mineral resources, that is developed resources, are free from royalty; and it is interesting to note that where we as a provincial government and the Dominion Government before us charge only five cents a ton on coal royalty, the Canadian Pacific Railway Company are operating their mines and are obtaining a royalty of ten cents a ton.

THE CHAIRMAN: Their practice in dealing with the coal lands is to transfer the coal rights subject to a royalty?

MR. BROWNLEE: No sir, they reserve the coal land; they make a separate lease. They obtained first of all a patent carrying all the mineral rights, then they lease the mineral rights so far as actual development is concerned --

THE CHAIRMAN: They reserve the coal rights, then, in dealing with the coal rights for the purpose of development; their practice is to grant a lease --

MR. BROWNLEE: To grant leases with a ten cent royalty.

SIR JOSEPH FLAVELLE: Are the oil rights also reserved?

MR. BROWNLEE: In exactly the same way; and the richest oil well we have had in this province, Discovery well No. 4 of the Royalite Oil Company, pays a substantial royalty to the Canadian Pacific Railway Company.

COMMISSIONER LOREE: What is the ground of objection to carrying out the agreement that was made originally with the Canadian Pacific?

MR. BROWNLEE: We are not objecting to the carrying out of any agreement made with the Canadian Pacific. We are objecting and would object to any arrangement now made by which under any proposed amalgamation the railways might be turned over to an operating company, which, in turn I presume, from the proceeds of such operation would pay its dividend equally to the Government of Canada and to the Canadian Pacific, and under which the operating railway would not have the benefit of the lands and minerals that

were given originally by way of subsidy, with the result that the people of Canada would not get any benefit whatever from those resources. We say that those lands and minerals were given to subsidize and to assist in the building of these lines, and whatever is done with the line should carry with it all that originally went to subsidize.

THE CHAIRMAN: Do you mean any more than this, Mr. Prime Minister: that these things should be taken into account in any arrangement between the Government and the Canadian Pacific Railway?

MR. BROWNLEE: Yes, I am suggesting that it is a point to be remembered, because it is something that the public will watch very carefully. In what I say here to-day I am not only expressing the views of the provincial Government but I am trying as far as I can to interpret to you what would be the feeling of the people of western Canada, thinking that is my duty.

The question arises, then, where could possible economies be made? I suppose first of all there are the overhead or general office expenses; second, the operation of the necessary shops; third, operating expenses. With all deference, and knowing how little after all we are able to deal with such a question from the railway standpoint, I have on behalf of the provincial Government ventured to suggest that a third way might be explored which I believe would carry with it practically all the advantages of such an amalgamation, would leave public opinion in Canada satisfied, and would not arouse any political issue, which personally I am anxious to avoid. I refer to the question of determining where the economies can be effected, where the weaknesses of our transcontinental systems lie, and whether

in those places the whole problem cannot be met by some joint operating scheme such as was carried into effect in connection with our northern railways. Looking over Canada and viewing the matter of course entirely from the point of view of a layman, it seems to me that the great mountain section is the first weakness in the link and that it must involve tremendous losses to the two railways. I have never passed over the mountains without being struck by the fact that two railway companies should be attempting to operate passenger trains over two lines of railway, especially from Kamloops to Vancouver, where they go through an undeveloped country, and I have wondered whether some such arrangement could be effected as has been made in connection with our northern lines, under which at some point the passenger trains of the two railways could be jointly operated.

THE CHAIRMAN: Passenger trains?

MR. BROWNLEE: Passenger trains, yes sir, of the two railways, running on a schedule or time table that surely it would be easy to work out.

Then another thing that strikes a layman as he passes over Canada -- at least it strikes me -- is that as we proceed eastward from Portage la Prairie to Winnipeg we have practically parallel lines, and from Winnipeg you pass over a great undeveloped country with an effort on the part of the two railways to give separate passenger services on to the province of Ontario. Of course in eastern Canada you have many examples of such competition; for instance, the daily and nightly trains between Montreal and Toronto and Ottawa and Toronto, and in many places there is immense

wastage because of that overlapping service. It may be that the whole question of general office expense would not be met as completely by any such cooperative arrangement as by an amalgamation, but I would feel that the matter of head office expense is after all rather a small factor so far as the total expenditure of our railways is concerned. The question is whether or not the problem of operating expenditure will be met as clearly by such an arrangement as by complete amalgamation, the problem of terminals and the whole question of the operation of steamships and hotels.

These suggestions, Mr. Chairman, are simply thrown out to you; as I say, I have no doubt that they have already occurred to you and that I am not really giving you any new information. But I do believe that along that line and that line only can any solution of our railway problem in Canada be worked out that will not immediately create a political issue of first magnitude, which I think would be most unfortunate both for the railways and for the ultimate solution of the whole question.

THE CHAIRMAN: As to the effect of amalgamation under government ownership, you do not think that would create

--

MR. BROWNLEE: Amalgamation under government ownership would I think, as I said before, be accepted by Canada.

THE CHAIRMAN: You think that would not be a political issue?

MR. BROWNLEE: Well now, just a minute -- yes, it will create an issue. It will not create an issue so far as western Canada is concerned, and I am speaking for western Canada. I presume it would create an issue in some

circles in eastern Canada. While I was originally an eastern man I have not lived in eastern Canada a sufficient length of time during the past twenty-five years to form any opinion as to how serious that issue would be in that part of the country. But I can venture to interpret the mind of the Westerner, at least through from Winnipeg to the mountains, and as far as the three prairie provinces are concerned there would be no issue if that solution were adopted. I believe you have that confirmed by those who spoke for the farmers' organizations of the three provinces, and I am sure you will have it confirmed to-day by the labour organizations, and those two organizations are the two dominant interests in western Canada.

COMMISSIONER LOREE: How do these two organizations compare in size?

MR. BROWNLEE: The three prairie provinces, sir, are very largely agricultural. Just what percentage of our population throughout the three provinces is agricultural and what urban I cannot say, but I think I am safe in saying that a minimum of sixty per cent of the population of the three provinces is rural. Those who spoke to you in Calgary, therefore, as representing the rural population spoke for that sixty per cent, and of the balance a very substantial percentage would be represented by the labour organizations. I would say that in receiving the representations of these two organizations you have easily the opinion of from seventy-five to eighty per cent of the people of western Canada. Incidentally may I add that outside of these two organizations I believe there is a very substantial body of public opinion in our cities and towns in western Canada who look on this

question in exactly the same way as the farmers and representatives of labour do.

THE CHAIRMAN: Has the concrete suggestion you have made as to meeting the railway situation as a whole along the lines of the arrangement in Alberta in regard to the northern railways been the subject of discussion at all?

MR. BROWNLEE: I could not say that, sir, for the simple reason that until the past year this question has not been forced upon the public mind in such a way as to create such a discussion.

THE CHAIRMAN: But you and your ministers have considered it?

MR. BROWNLEE: We have considered it very carefully, and believing that we understand the attitude of mind of the agricultural section, of the labour section, and also of many in the towns, we are venturing to make that statement.

Just here, sir, before I proceed to deal with the two questions with which I shall conclude, I should like to say that in our opinion there has been in past years a very substantial expenditure by both railways that should now be definitely eliminated. I speak of the expenditure in maintaining organizations overseas for immigration and colonization. How large an expenditure that involves I do not know; it must be substantial, but we are confident that the time has passed in Canada when there is any necessity for any effort on the part of the transcontinental railways to encourage immigration to western Canada. We are definitely opposed to it. We believe that a very substantial part of our unemployment problem to-day is the result of both these companies bringing into western Canada what they believed to be

cheap labour for the railways. They are here to-day; they have not had the work that was promised them, and they are on our hands.

THE CHAIRMAN: Do you mean that for the most part the people who are brought in are unsuitable for agricultural development?

MR. BROWNLEE: Yes sir, entirely unsuitable for agricultural development, were not brought here as agriculturists, were brought here to work on the railways. We have had estimates made of the number of unemployed that were in this city of Edmonton last year; it was a large number, and I believe the same condition will apply this year. In the city of Edmonton nearly eighty per cent of the unemployed on our hands, several thousands, were Europeans who had been brought to Canada in comparatively recent years. As a government we opposed that three years ago, and we have tried ever since to have the practice stopped. We are expressing our conviction to-day that all efforts on the part of the railways to maintain immigration and colonization offices in different parts of Europe should cease, and that if the time comes that we want to open the doors again, the agencies of the Dominion Government will take care of any immigration necessities; the railways should be entirely eliminated from that field.

LORD ASHFIELD: Is that not rather a matter for the national government, Mr. Prime Minister?

MR. BROWNLEE: It may be, sir. The only reason I mention it here is that you are interested as a Commission in a solution of the financial difficulties of the railways, and I suggest this as a place where in my opinion a large saving

could be made. I have to leave it, of course, to the Commission as to whether or not the scope of their inquiry is sufficiently wide that they would wish to make any comment on that.

I do not know whether your inquiry leads you to any consideration of the Peace River outlet to the Pacific.

THE CHAIRMAN: We have been hearing representations with regard to that, and we shall be glad to hear from you.

MR. BROWNLEE: All I will say is this: so far as our provincial government is concerned we would not say that there is such a necessity for that outlet that in a time of financial difficulty the matter should become an urgent one. We do believe that what is far more urgent is that there should be a moderate expansion of branch lines in order that the railways may secure the full benefit of the potential development that is there and the settlement that has gone in. Settlement has gone into the Peace River country to a very large extent in districts fifty or sixty miles from any railway, and as a provincial government we urge very strongly that the small expenditure necessary to provide branch lines to enable those who have gone in to develop their holdings and to make a contribution will be far wiser at the moment than any coast outlet.

THE CHAIRMAN: Has the provincial government any programme of road building into that territory?

MR. BROWNLEE: Oh yes, we have built a main highway from Edmonton through to the Peace River district, and we have carried on to the extent of our financial ability the same programme of local road construction that we have undertaken in the rest of the province. For example, take the

new Battle River district, one of the districts I referred to a moment ago, where settlers who have gone in are as much as sixty miles from the nearest railway line at Grimshaw. We have already put through, not a gravel road, but a first class road into that territory. But in this day and generation, with the price of wheat what it is, farmers cannot develop holdings if they have to transport their grain sixty miles over a road in order to get to rail transportation; it cannot be done. The result is that in all these districts up there the people will be merely subsisting, with a very small proportion of their holdings under crop, until such time as a branch line will enable them to get their grain out at reasonable cost. When that time comes, and not until then, they will develop their holdings the same as the people around here. Inasmuch as we took our road in there much earlier than was ordinarily considered wise in settlements of that kind, we believe the same principle should apply in respect of our railroads -- that it is good business to make the investment very early in the history of land settlement in order to provide facilities and encourage development rather than to adhere strictly to what might be considered a proper attitude so far as branch lines are concerned.

In regard to truck traffic, which I believe is one of the questions your Commission wish to consider, we have that problem in Alberta, and we have it in a very difficult form. This province is many miles from north to south. When I tell you that our main highway north to south is well over six hundred miles long -- is it not, Mr. McPherson?

MR. McPHERSON: Yes.

MR. BROWNLEE: When I tell you that our highways east and west have a mileage of two hundred miles any way, and there are six or seven of them, and that our population is 721,000, you will see that the problem of giving highway service is a most difficult one, and that regulating bus and freight traffic over those highways is equally difficult. We venture the opinion that the question of bus and freight traffic cannot be considered from the standpoint of its effect upon our railways. If it is on a fair basis, if it is one of the national economic developments of the future, then it must go ahead regardless of its effect upon railways. We are quite prepared, however, to concede this point: that bus and freight traffic should be upon such a basis as to make its proper contribution to the cost of maintaining the roadbed upon which it operates. With the other provinces we have been studying that problem, and at the session of the legislature this year we will very greatly increase the rates hitherto paid, particularly by freight vehicles. We believe we are reasonably sound so far as the licensing of our bus traffic is concerned, but in common with the other provinces we believe we still have to go some distance before we make our freight vehicles pay their proper contribution to road maintenance.

SIR JOSEPH FLAVELLE: What is your tariff?

MR. BROWNLEE: I have asked one of our officials to bring down a statement showing not only the present tariff but also the number of vehicles that are operating and the tariff which we are considering for the coming session. We shall be glad to give that to the Commission.

I believe the question has been considered by some

whether the provincial governments should not join with the Dominion government in some constitutional amendment which would place this type of traffic under the Dominion government, say under a board like the Board of Railway Commissioners. We have serious doubt as to the wisdom of such a proposal; and I hope I can say, Mr. Justice Duff, that in making that statement we are not simply jealous of provincial rights. As you will recall from your experience upon the Supreme Court bench, in some of the contests that have recently taken place we have not appeared as a province, particularly in the insurance controversy, because we felt that that was a field that was essentially one for the Dominion; so I am not suggesting this from the standpoint at all of provincial rights. It does seem to me, however, that the whole question of distances, of density of population, of amount of traffic -- all these things are items which must enter into the calculation of any proper rate schedule, and we do not believe the time is ripe in Canada for any uniform treatment throughout the whole country in that respect.

THE CHAIRMAN: Uniform treatment?

MR. BROWNLEE: Uniform treatment. It seems to me that a body like the Board of Railway Commissioners would function in this respect only if the traffic were on the same basis as railway traffic in respect to which uniform rates could be adopted. We do believe that the whole effort of provincial governments should be directed to preventing discriminatory rates on the part of these carriers and ensuring the fixing of rates which are fair and reasonable. The present situation is very unhealthy where we have cut-throat

competition. We believe that through our public utility boards, working somewhat in cooperation one with another, we can --

THE CHAIRMAN: You are speaking now of interprovincial cooperation?

MR. BROWNLEE: Yes -- we can reach the same end that might be reached by the Board of Railway Commissioners.

We have a feeling as a government that the railways themselves have been very dilatory in facing this problem -- it may be, of course, that again we are speaking without the knowledge which the executives of the railway companies themselves have. I know that so far as this Government is concerned we would from the beginning have been glad to give the railways the first refusal of any license that we might issue where our highways parallel the railways. From Calgary to Banff, for instance, a great tourist road, it is inevitable that many people should prefer to travel by bus rather than by rail. We believe the Canadian Pacific has an interest in the Brewster company; it may be that that interest is sufficient for their purposes, but when it comes to a road such as that between Calgary and Edmonton, where this traffic is as inevitable in the future as the rising of the sun in the heavens, we have not been able to see why the railway companies themselves should not have stepped in and obtained the control of that traffic just the same as they have control of the rail traffic.

LORD ASHFIELD: I take it your criticism applies to the Canadian National as well as the Canadian Pacific?

MR. BROWNLEE: Oh yes sir, I am not discriminating at all there. It may not be a fair criticism, but it is

just an observation in passing. Subject of course to the vested interests that have been now obtained, on some of these routes, we would still, and from my contact with the other governments of Canada I believe they would also, be quite prepared to give the railway companies the preference in obtaining a license. We are only anxious that we shall not put ourselves in the position of creating an artificial barrier in the way of an economic development that may be inevitable in the future; so that is the viewpoint we take.

COMMISSIONER LOREE: Do these bus lines operate at a profit?

MR. BROWNLEE: Many of them must be doing so, because they have been operating now for two or three years in this province, and if they were not making a profit I imagine they would not be still in operation. We have very definite restrictions on the number of bus lines we will allow on any route. For example, between Calgary and Edmonton we have given a license to just one firm, Canadian Greyhounds, Limited, who run two buses a day between those points. Between Calgary and Banff we have one line, the Brewster line; we have allowed only one license on that route. We base our license entirely on the amount of traffic on the road, and our whole effort is to give the public protection by limiting the license to one company as far as possible, so that they can provide a proper type of bus and give a proper service.

COMMISSIONER LOREE: These vehicles are very perishable; they have a short life.

MR. BROWNLEE: Yes.

COMMISSIONER LOREE: We have not been able as yet to

find any company that seemed to be operating at a profit, when proper allowances are made for depreciation.

MR. BROWNLEE: It may be so, and if that is the case the problem will solve itself in due course. But if they are making a profit, there is a development there that is inevitable so far as the future is concerned. The whole point, as I see it, looking at the matter as fairly as I can and dealing fairly with the railways, resolves itself into the question: can we legitimately say we are going to base our regulations on the protection of the railways, or have we not gone as far as we can when we say we will base them on the principle of these vehicles making their proper contribution to the cost of roadbed maintenance.

In conclusion, sir, may I express my appreciation of the opportunity you have given us to present such views as we have regarding this matter? Perhaps in summing up the best service I can render this Commission is to try to have you understand that the citizens of western Canada regard jealously the experiment in the operation of the publicly owned railway, and that they would view with the greatest suspicion any proposed solution which would eliminate that publicly owned line. A solution which avoids any suggestion of that nature will, I believe, make for the greatest service to Canada, because it will prevent the whole railway question from becoming one of very serious public discussion -- in western Canada at least; I cannot speak for eastern Canada.

If there are any questions you would wish to ask, I shall do my best to answer them.

THE CHAIRMAN: Before any questions are put to you,



Mr. Prime Minister, I should like to assure you that we appreciate the opportunity of listening to your review of the situation, which will be of the greatest value to us.

SIR JOSEPH FLAVELLE: May I ask a question, Mr. Brownlee, just to get clearly your point of view? As I understand it, it is that if the principle at present applicable in the case of the Alberta northern railways, with joint operating service on behalf of two corporations, were extended over the whole of the country, it would be a monopoly in railway transportation, but a monopoly, you consider, tempered by the fact that the two properties continue to be separately owned; and the object of the amalgamated effort would be service to the public, a service sufficient but not prompted by the extravagance incident to uncontrolled competition. Is that at the base of your view of a possible solution?

MR. BROWNLEE: I am sorry, Sir Joseph, but I do not know that I have got the full significance of your question.

SIR JOSEPH FLAVELLE: What you are really suggesting as a possible basis for consideration is what you are doing here.

MR. BROWNLEE: In those parts of Canada --

SIR JOSEPH FLAVELLE: It practically means in all parts of Canada.

MR. BROWNLEE: No sir, I do not suggest that. For instance, in Saskatchewan, outside of possibly one little thing you will find in that province, I think the main railway lines are operating under conditions that will be profitable to them. The difficulty of our transcontinental lines does not lie in the prairies, does not lie entirely



in eastern Canada; it lies in those particular places where in the race of competition you have unnecessary duplication. I refer to areas such as the mountain section, the northern Ontario section, and lines down in eastern Canada, operating either in entirely unproductive territory over very many miles, or in productive territory but with undue overlapping. The suggestion is that we centre our attention upon such places as these and arrange for joint operation, say over the mountains or through new Ontario, so that the traffic of both lines would be carried at a minimum of cost. Similarly in eastern Canada, where you have four lines between Toronto and Montreal, a double track of the Canadian National and two lines of the Canadian Pacific; I think it is admitted by railway men themselves that one line would carry all the traffic. These are the places where the real problem of our railways has arisen, and the first step would be to see what cooperation can be arranged, and to determine whether or not after all you would get as far by proceeding in that way as you would get by complete amalgamation. Complete amalgamation would force the companies to operate in this province every line that they are operating now, with the possible cancellation of the Drumheller and Red Deer-Nordeg line, so that there is no reduction in operating expense.

SIR JOSEPH FLAVELLE: What you really have in view is simply that the principle applied here would be similarly applied in various parts of the Dominion where its application would seem to be desirable?

MR. BROWNLIE: Yes sir, and that the principle of joint terminals be similarly applied, and that as far as

steamships are concerned the companies should be absolutely prevented from competing along that line. And of course the hotel situation we all know is very bad.

LORD ASHFIELD: Mr. Prime Minister, as I understand the somewhat tentative suggestion you have put forward, it does involve the question of joint operation?

MR. BROWNLEE: Yes, in those places.

LORD ASHFIELD: But joint operation only in respect of those parts of the railway system where the facilities will admit of the abandonment of some part of the railway, and concentrating the operation of both systems on what might remain? Broadly, that is what you are proposing?

MR. BROWNLEE: Yes sir, believing that any elimination of services that cannot be effected under such a plan cannot be effected under any amalgamation.

LORD ASHFIELD: Of course you will understand that underlying that proposal there is involved the need for some sort of machinery which would become effective in the event of dispute between the Canadian National and the Canadian Pacific?

MR. BROWNLEE: Yes sir.

LORD ASHFIELD: I was wondering whether you have thought of that aspect of the problem.

MR. BROWNLEE: Yes sir, we have.

LORD ASHFIELD: And how far you have thought that machinery might be used to impose upon either of these undertakings a decision in the event of disagreement -- how you would deal with the financial responsibility consequent upon that. May I put it in another way, before you answer. You would in effect be creating a monopoly, because there must be some body set up to determine whether at any point these

railways are being effectively worked as separate systems, or whether they could be more effectively worked by a joint operation. Therefore it does seem to me that what your proposal suggests is complete separation of the control over the operation of these undertakings by a body which would have no financial responsibility for whatever their decision might be. Have I made my point clear?

MR. BROWNLEE: Yes sir, and I would reply in this way: in the first place my proposal does not suggest a nationwide monopoly such as the other suggestion of amalgamation would. In the great productive territories both in the east and in the west, the railway companies would operate, where there are any operating, as separate entities, carrying on exactly as they are now. But you take the map and you block out certain areas where admittedly there is loss in operation, admittedly there is no room for the two railway companies to operate, and it is there that some scheme of joint operation should be worked out. I realize, of course, that in respect to such lines as those between Toronto and Montreal the question would naturally arise as to what lines are to be used and what lines are to be abandoned. There is only one answer that we can make to that. In the west we have been entirely satisfied with the experiment of having matters of that kind in dispute settled by a provincial board known as our Public Utilities Board. It does seem to me that in the event of any question arising, the Board of Railway Commissioners, strengthened, if necessary, could act as a board of arbitration, with its decision binding on the two railways. But I do not carry that to the point of suggesting that that board is going to dictate the policies

of the two railways outside of those areas where the principle of joint operation should be applied for the elimination of expense.

THE CHAIRMAN: And then only to the determination of disputes.

MR. BROWNLEE: Yes.

THE CHAIRMAN: In your Northern Alberta Railways the thing is preceded by voluntary agreement.

MR. BROWNLEE: So far no question has been raised at all that has led to any necessity of invoking such a board.

LORD ASHFIELD: You will appreciate, Mr. Prime Minister, and I know it is not necessary to make this observation, that this Commission has to review the problem not only in relation to the present financial position but also having in mind the future. The incidence of traffic changes very frequently: you have given an illustration of it in your own province, where in past years the traffic was more dense in the southern part as compared with the northern section than it is to-day. It seemed to me when you made that statement it did suggest a real difficulty for the future: that the Canadian Pacific, situated in the southern part and finding that territory gradually diminishing in economic value and being replaced by the richer lands of the north, served by what we should describe as a competing railway, might wish to venture into that territory with its branch lines in order to protect itself in relation to the changed circumstances as they developed year by year. So it seems to me you find yourself in that very complicated position of having to deal with railway problems arising day by day, in relation not only to the railway operation itself but also to hotels,

steamships, telegraphs, publicity -- every element that enters into the successful operation of a great railway undertaking. I am only now thinking out aloud for the purpose of getting your views on the matter which are immensely valuable to us. It would seem to me that we should find ourselves in the position of creating a body which would have to take an ever widening interest in the railway problem and would really be substituting that kind of management for that of the railways themselves.

MR. BROWNLEE: Again may I say that in the most humble way we can simply venture our opinion; it may be entirely unsound. I cannot repeat too often or too emphatically that we are speaking quite as amateurs.

THE CHAIRMAN: You will understand that we are most anxious to have your views, Mr. Prime Minister, notwithstanding your modesty.

MR. BROWNLEE: Again, sir, we have made in this province a further experiment that has worked quite successfully with competing companies. We have the Calgary Power Company with its transmission lines furnishing power to a very definite section of the people, and we have another utility also carrying power. We realized some time ago that it would be the most disastrous thing that could happen to our people should these two lines start to encroach on one another's territory and should there be an unprofitable duplication of lines. We did not think it advisable to try to force any amalgamation, and our province was not in a position financially to do what our people would like us to have done, namely to take them over as a public enterprise. We therefore adopted the expedient of empowering

our Public Utilities Board, with a judge as chairman and competent business men included in its personnel, to lay out certain territories that would be a logical field of development for these rival enterprises. The result is that to-day if one of these utility bodies wishes to go in to a certain point to develop its lines it has to go before that Board. The Board examines the question whether that town can best be served by the one or by the other; it gives its permission accordingly, and the development can only then take place. Since that was passed some years ago we have not had a word from any municipality; we have not had any difficulty. We realize that every scheme that may be suggested has its weaknesses, but we believe that that does not offer any insuperable difficulty. It may be that in some cases it would be wise to do as I believe they do in England -- I speak subject to correction -- where one railway company instead of building a duplicating line can obtain at a moderate rate running rights over another line. We in this province could tell you of a number of cases where a great deal of unnecessary expense has been incurred simply because there did not seem to be any power which would give one line the right to operate a train over another. An outstanding example is the approach to this city. The Canadian Pacific Railway Company, the provincial Government and the city at very great expense built that high level bridge. The Canadian Pacific has running rights over it by agreement. Later the Canadian National came along and sought entry into the city; for years they tried to get entry over this line and could not do so, so finally they had to follow an unnecessarily long route, build another

bridge and enter the city from another point. It may be that the solution would lie along that line. It may be that we would have to come to what some might think was an unwise thing; nevertheless it has been found to work. The Board of Railway Commissioners might be empowered to allocate certain fields of development and thus prevent unnecessary duplication.

THE CHAIRMAN: Your suggestion rather contemplates something of that kind.

MR. BROWNLEE: I believe it has to be worked out along these lines. I am resting my argument entirely on what can be summed up in this way: What are the alternatives? What are the weaknesses of each of these alternatives? Are our people prepared to accept some of these alternatives? To us in western Canada amalgamation under a publicly owned body would be satisfactory. It might not be satisfactory in the east. Do we not get as close an approximation of what might be accomplished under such amalgamation by a scheme such as I have suggested? It might be temporary in its nature, but it preserves for the future our publicly owned system, and, if we cannot do it to-day, perhaps at some time in the future if the people of Canada come to that way of thinking, makes it much easier to take over the balance if we should then come to the conclusion that complete public ownership would be possible. Anything that to-day destroys the Canadian National as a publicly owned body would in the future make the problem infinitely more difficult if in the development of our social and economic ideas in Canada we ultimately come to the belief that the railroad service

is a public utility the same as gas and electric light and that the ideal system for us after all is one of public ownership. We wish to have that preserved.

LORD ASHFIELD: With regard to road transport, you dealt more particularly with the question of passenger service. I gather your view is that without establishing a monopoly in respect of the railways you would encourage them to develop that sort of service supplementary to their railway operation?

MR. BROWNLEE: And freight where possible.

LORD ASHFIELD: I was going to ask you a question about the freight services.

MR. BROWNLEE: The same theory would apply to the freight.

LORD ASHFIELD: Have you thought about this question of individual ownership in respect of freight? I was thinking more particularly of the farmer doing his own haulage. Have you any regulation in respect of the weights of the vehicles?

MR. BROWNLEE: So far in this province we have not put into effect any restrictions upon the farmer who simply uses a truck to take his own grain to the elevator. We do restrict him in the matter of going into any kind of haulage as a common carrier. We believe that the same principles that we have outlined as applying to passengers should apply to freight. We would be very glad indeed, so far as we are concerned, to give the railway companies, especially in relation to highways that parallel the railroad, the first opportunity of getting control of that traffic if they find it profitable so to do. If you travel

from Calgary to Edmonton you will find there are several lines of very heavy freight vehicles plying constantly between those points.

SIR JOSEPH FLAVELLE: You mean organized bodies?

MR. BROWNLEE: Yes sir. If that appears to be profitable in the future as the province becomes more densely settled, then this Government is prepared to go this far in helping the railroads: we feel it would be in the interests of our people that they should have, under proper supervision of course, the first opportunity of getting the benefit of such traffic.

COMMISSIONER LOREE: In all the discussion I have listened to on this subject there is one element in it that is never referred to. It is said that the ancient Hebrews were never allowed to pronounce the word "Eshveh," and I never hear anybody pronounce the word "labour." I have in mind a railroad that is working to-day -- 1930 -- ten million less man hours than it worked in 1913, the year before the war, and its payroll was \$11,000,000 more. In 1930 it earned one per cent on its stock; had the wages been the same as in 1913 it would have earned twenty per cent on its stock. That is the difference between poverty and affluence. Is that the trouble in Canada? Do we all feel that it is taboo, or what is the situation?

MR. BROWNLEE: I am not sure, sir, that I have the significance of that question.

COMMISSIONER LOREE: All the money taken in is paid out through wages, and there is nothing left for the proprietors.

MR. BROWNLEE: Does that raise the question

whether we believe there should be an adjustment of wages?

COMMISSIONER LOREE: No, it raises the question whether you believe that the real trouble with the Canadian railroads is their wage scale.

MR. BROWNLEE: That is a question, sir, I would be entirely unjustified in passing an opinion upon, because I have not had an opportunity of studying that, and probably would not be capable of coming to a conclusion if I had. In Canada, as contrasted with the United States, we have our whole railway problem in the hands of two companies, with a very large territory that is highly productive and with a great opportunity for future development. I believe that on the whole in Canada we have ample room for two railways that can pay a fair labour wage and at the same time receive a fair income. I would like to see explored first of all the question whether the loss in our railroads does not lie in the fact that we have two railroads that are trying to carry services over areas that are highly unproductive and where the expense of operation must be tremendous, and that by duplication of hotel services and things of that kind have built up a capital structure that is eating into the vitals of their whole earning system. Until this is explored and it is still found that the railroads cannot operate, I would not personally -- and I believe I am speaking for my ministers and voicing public opinion -- favour anything that would take in the provinces where there is no competition and bring all these lines under one management unless that management happened to be under government ownership. I believe that if you eliminate competition in the unpro-

ductive territories; if you can deal with the steamship services so as to make the highest contribution to both roads in a fair way; if you deal with the hotel situation -- I do not know how that can be bettered now, because the investment is there, but it can be stopped so far as the future is concerned -- if you do these things I cannot help but feel that you would see a very great difference in the showing of our railroads. If I am wrong in that, then of course it will have to be considered whether even some more drastic remedy will have to be applied than at the moment we think necessary. But if you take the territory in this province and in Saskatchewan, say the areas adjacent to our main lines and branch lines, there must be room for profitable operation of two companies in Canada.

COMMISSIONER LOREE: Unless the profits are all eaten up in wages.

MR. BROWNLEE: Again I have no answer to that, because I am not able to make a proper estimate of the percentage of total administration cost.

SIR JOSEPH FLAVELLE: Might I ask you this question with respect to extensions into new territory? In view of the extent to which, as a result of the spirit of adventure, the force of public opinion upon Parliament or the force of opinion in a given locality, branch lines followed by more branch lines were built, might it not at this time be worth while to limit the movement of new people into unoccupied territory?

MR. BROWNLEE: I am glad you mentioned that, Sir Joseph, because we believe that in this province we have made a step along that line. When we took over the natural resources a year ago last October we had fully appreciated



in this province that one of our major difficulties arose out of allowing settlers to go where they would and in trying to carry services with them. If you study our Land Act introduced at the last session of the Legislature you will find that we drew very distinct lines around the areas that are still open for development. Those lines are drawn in such a way that where settlement has already gone in and is in a semi-complete stage -- that is, say a certain amount of land had been taken up -- we felt we ought to allow sufficient development to enable them to have a community consolidated that could carry the services they must carry. Beyond those lines we do not allow any person to go in and take up a homestead.

SIR JOSEPH FLAVELLE: That is a complete answer.

THE CHAIRMAN: Of course now that the resources have been handed over to the provinces, that is a matter of provincial policy.

MR. BROWNLEE: It is now, yes. If that policy had been adopted in this province twenty years ago we would be in a much happier state so far as our general finances are concerned.

SIR JOSEPH FLAVELLE: I do not ask the question for the purpose of opening up any controversial issue, but was it not the development of roads under provincial direction that led to settlement going in that extreme north line?

MR. BROWNLEE: No, I would not say that, sir. If the homesteaders had not been allowed to go into the Peace River country first --

SIR JOSEPH FLAVELLE: I am thinking of the Alberta

and Great Waterways -- was that not really a provincial development?

MR. BROWNLEE: It was the McArthur private interest that obtained the charter, much the same as Mackenzie and Mann obtained the charter for the Canadian Northern.

SIR JOSEPH FLAVELLE: That charter was obtained within the province?

MR. BROWNLEE: Yes.

SIR JOSEPH FLAVELLE: And received provincial assistance?

MR. McPHERSON: Guarantees -- \$20,000 a mile.

MR. BROWNLEE: Yes. Of course the only access into the Northwest Territories is over that line. The day will come when that will be a very profitable road, but unfortunately it was premature.

SIR JOSEPH FLAVELLE: It was before its time.

MR. BROWNLEE: No one knows better than I do that the great danger in all democratic societies is the over-optimism of our people in times of prosperity and the panic that comes in times of adversity. Unfortunately that finds its reflection in governmental enterprise. It equally finds its reflection in private enterprises, and I do not think that the control of our railway system by private enterprise would be a safeguard against that in the future any more than would control through some other medium such as a public body.

I should like to file with you, Mr. Chairman, a telegram I have just received from the Grande Prairie Board of Trade on behalf of the people of Grande Prairie.

THE CHAIRMAN: There is one here addressed to

myself.

MR. BROWNLEE: I have not read it, but I assume you will find that that telegram differs somewhat from the opinion that we have expressed. We have not so far been able to bring ourselves in line with the views either of the people of Vancouver or of the people immediately at Grande Prairie that the expenditure on another line of railway through to the Pacific coast, so far as this province is concerned, is a necessity. It may be that the development in the northern part of British Columbia would seem to justify a line of that kind, but we would certainly emphasize strongly that what we conceive to be the needs of the Peace River country will best be served by branch lines rather than by such an extension.

THE CHAIRMAN: You were good enough to say, Mr. Prime Minister, that you might consider the preparation of a memorandum which would put with absolute precision your views with regard to the matters you have discussed. I think there would be some advantage in that, if it is not asking too much of you.

MR. BROWNLEE: I think I could do that, sir, within the next forty-eight hours.

THE CHAIRMAN: I think it would be of some advantage. In the matter of highways, we have an appointment at eleven o'clock, and it is now a little past that. Could we meet a little later the official who is specially charged with that?

MR. BROWNLEE: Any time you say, sir. Our whole staff is at your service to any extent that it may be of use to you.

THE CHAIRMAN: I have no idea how long the public hearing will take.

MR. BROWNLEE: I do not think it will take very long. The labour organizations have a memorandum outlining their views; that can be presented in fifteen minutes. There may be individuals outside of that, but I fancy the whole hearing will not take more than one and a half to two hours.

THE CHAIRMAN: Perhaps after the conclusion of that hearing, if it suits your convenience, we will return here.

MR. BROWNLEE: If Mr. Moxon will let me know when you are ready, arrangements will be made for the Minister of Public Works and his officials to meet you either here or uptown.

The Commission adjourned to the Court House for the purposes of the public meeting.

The Commission resumed at the Macdonald Hotel at 3 p.m.

THE CHAIRMAN: What do you contemplate, Mr. McPherson, with regard to regulating the operation of motor buses and motor trucks?

HON. O. L. McPHERSON (Minister of Public Works): We have at the present time, Mr. Chairman, a very complete set of regulations covering the operation of buses. We have some regulations on the use of the roads, but we have a very complete set of regulations drafted particularly for the control of truck traffic.

THE CHAIRMAN: That is freight traffic?

HON. MR. McPHERSON: Yes. But the Department of Public Works handles that question only insofar as it relates to the use of the roads, and not as far as revenues are concerned. Mr. Trowbridge is here from the Provincial Secretary's Department with information in regard to the charges placed on trucks. We have regulations drafted which will control weight, use and speed.

THE CHAIRMAN: I think the Prime Minister kindly said that you would allow us to see both the regulations that are in force and those that you contemplate putting in force.

HON. MR. McPHERSON: This is the Act governing public vehicles, which takes into account both freight and bus. We control the bus as far as operations and taxation are concerned in this department; but the freight regulations will come in the other department, and Mr. Trowbridge I presume has that information.

THE CHAIRMAN: This is the statute?

HON. MR. McPHERSON: Together with the regulation:

which are now in force. The freight regulations I spoke of, just as far as the use of the roads is concerned, have been drafted, but they have not been passed on yet.

THE SECRETARY: Mr. Trowbridge has the figures on maintenance cost.

HON. MR. McPHERSON: If you want further information on buses I have here the sheet showing the lines in operation, the actual mileage travelled, and the potential passenger miles, together with the revenues collected from that source. That is covering one year's operations. This also shows the operation and the charges that are made on the potential carrying capacity of the buses.

THE CHAIRMAN: Do you mean the license fee?

HON. MR. McPHERSON: The extra tax placed on buses. We impose a tax of so much per passenger, or rather on the potential carrying capacity of the bus per mile, regardless of the number of passengers it carries. That is in addition to the ordinary license fee and the gas tax. I have particulars here showing the expenditure from annual revenues on account of highways for the fiscal year ending March 31, 1931. It gives the cost of maintenance and grants to municipalities, and also interest and sinking fund, which make the total cost of the province from income account, or from the annual revenue, for highways. That does not take into account the capital charges.

THE CHAIRMAN: I suppose those are all motor routes more or less?

HON. MR. McPHERSON: No, it covers the entire province.

THE CHAIRMAN: All the highways?

HON. MR. McPHERSON: The entire province. We give

grants to the municipalities and improvement districts all over the province on all highways which go into the opening up of new roads. It covers the operations in the entire province on all roads, and that of course is a pretty wide distribution.

LORD ASHFIELD: How many miles of road have you in the province?

HON. MR. MCPHERSON: I would say between 60,000 and 70,000 miles of travelled road.

LORD ASHFIELD: Are they classified?

HON. MR. MCPHERSON: Yes. Our main highway system comprises 2,800 miles. The mileage of what we know as the secondary highway system is about 400 at the present time, but we are only classifying that type of road as we improve it. Our district highways extend to about 13,000 miles.

LORD ASHFIELD: Is the classification of district highways based upon construction?

HON. MR. MCPHERSON: No, the classification is applied according to use. They are the more important local roads, the roads connecting the various communities and leading into the market centres. These we have classified and outlined in a system which will make a connecting network throughout the entire province. That applies to about 13,000 miles. The remaining mileage represents purely local roads.

LORD ASHFIELD: What is the total mileage of the roads that might be classified as roads available for use by motor traffic?

HON. MR. MCPHERSON: That would be more or less of a guess.

LORD ASHFIELD: I am speaking of the heavier type of vehicle.

HON. MR. McPHERSON: I would say probably 40,000 miles of such roads.

SIR JOSEPH FLAVELLE: I suppose in the seasons when the roads are slippery you reduce that mileage for a temporary period?

HON. MR. McPHERSON: Yes, in the extreme condition.

LORD ASHFIELD: Do you know what part of the mileage is now used by licensed vehicles?

HON. MR. McPHERSON: That will be shown on the table which is filed.

COMMISSIONER LEMAN: The amount invested in roads by the province would be available, I suppose, in the financial returns made by the government?

HON. MR. McPHERSON: Only insofar as it relates to provincial expenditures. You see we have municipalities that are organized bodies with full responsibility for all local and district roads. The province makes an annual grant to the municipalities for road development, but the municipality has the full responsibility, and the major portion of the development of the local roads has fallen on the local body.

COMMISSIONER LEMAN: Would your statistics give any indication of the capital invested by the municipalities?

HON. MR. McPHERSON: I am afraid we could not get very close to that. We have during the past few years attempted to get a pretty good line on the expenditure of the municipalities, but that has only been recently, and large part of the development of course dates back before any such attempt was made. There is no bonded indebtedness by the



municipalities for road development.

SIR JOSEPH FLAVELLE: In planning the new charges which will represent a tax upon those who have motor or truck licenses, have you had regard to the carrying charge for the roads which have been improved for the use of motor traffic in addition to amortization; did you tie the two together?

HON. MR. MCPHERSON: No, for the simple reason that I think you can hardly begin to estimate where that motor travel takes place. A large portion of it is on the local roads, and that does not relate to provincial expenditure. It is very difficult to my mind to differentiate.

SIR JOSEPH FLAVELLE: The provincial expenditure and the resultant receipts which come from the gas tax and license fees go into your regular revenue?

HON. MR. MCPHERSON: General revenue.

SIR JOSEPH FLAVELLE: Those are not ear-marked against the roads?

HON. MR. MCPHERSON: No. The expenditure from annual revenues for road purposes approximates the revenue from motor sources. There is a very definite relationship in practice but there is no ear-marked fund.

COMMISSIONER LEMAN: You do not ear-mark your provincial license fees?

HON. MR. MCPHERSON: No; both the gas tax and the license fees go into general revenue.

LORD ASHFIELD: Is the license inter-provincial or limited to the province itself?

HON. MR. MCPHERSON: It is inter-provincial.

THE CHAIRMAN: Intra-provincial?

HON. MR. MCPHERSON: You mean they can operate

throughout the Dominion?

LORD ASHFIELD: Yes.

THE CHAIRMAN: By courtesy one province recognizes the licenses of the others.

HON. MR. McPHERSON: Yes.

THE SECRETARY: Some of the provinces have a thirty day limit.

COMMISSIONER LEMAN: And it varies from one province to the other.

HON. MR. McPHERSON: Yes. Some provinces prohibit commercial vehicles operating from other provinces.

LORD ASHFIELD: That applies to busses too in British Columbia.

HON. MR. McPHERSON: Yes, I believe the British Columbia regulations call for a separate license for bus operations.

LORD ASHFIELD: It is very expensive if the trucking company is working through more than one province.

HON. MR. McPHERSON: Yes, unless there was some definite working arrangement.

THE CHAIRMAN: Thank you, Mr. McPherson.

The regulation of the freight vehicles rests with you, Mr. Trowbridge?

MR. E. TROWBRIDGE (Deputy Provincial Secretary): Yes, sir.

THE CHAIRMAN: The taxes also?

MR. TROWBRIDGE: The fees under the Motor Vehicles Act, and also any special fees there may be under the Public Vehicles Act. We charge the regular license fee under the Motor Vehicles Act, plus a fee on tonnage.

THE CHAIRMAN: The Motor Vehicles Act covers both passenger and freight vehicles, does it?

MR. TROWBRIDGE: No, the Motor Vehicles Act covers the regular license plate for operation on the road, and then under the Public Vehicles Act we charge so much on the carrying capacity.

THE CHAIRMAN: You issue the plate for trucks only, or for buses as well?

MR. TROWBRIDGE: And for passenger buses.

LORD ASHFIELD: All kinds?

MR. TROWBRIDGE: All kinds.

THE CHAIRMAN: Then in addition to that in the case of trucks there is a tonnage charge?

MR. TROWBRIDGE: Yes. I have a memo here that sets out the scale under the present regulations. I have also a copy of the regulations setting out the proposed new scale; a statement as to the revenue under the present scale and what we expect under the other. I have also copies of the legislation and the regulations, together with a comparative statement of all the principal trucks with the revenue we obtain from each now and what we will get. Another statement is attached of the Manitoba, Ontario and other province's regulations, and their fees. There is also a schedule of bond and cargo insurance.

THE CHAIRMAN: That is to say, there is obligatory insurance?

MR. TROWBRIDGE: Yes.

THE CHAIRMAN: And bonding?

MR. TROWBRIDGE: We have that in the proposed regulations.

THE CHAIRMAN: That is with a view to the protection of the public?

MR. TROWBRIDGE: Accounting for C.O.D. orders. When

they have a collection to make some of the truckers have failed to turn it in. I think this memo sets out everything.

SIR JOSEPH FLAVELLE: The tonnage charge is not on the merchandise it is on the truck?

MR. TROWBRIDGE: The carrying capacity. In the proposed regulations we thought it would be best to specify the gross weight, that is, the truck itself and also the carrying capacity.

THE CHAIRMAN: The truck plus carrying capacity?

MR. TROWBRIDGE: Yes. That would be something along the same lines as Quebec. Our fees will run pretty much the same as Manitoba's. They charge \$25 for the license up to two tons and \$25 for each additional ton. Ours will be about the same. Quebec's is rather high.

LORD ASHFIELD: Does each province work out and establish its own regulations, with no attempt to make them uniform throughout the Dominion?

HON. MR. McPHERSON: They may correspond very closely, but each province makes its own regulations.

THE CHAIRMAN: But I think the Prime Minister said this morning you were contemplating consultation among the different provinces with regard to these matters.

HON. MR. McPHERSON: As I remember it he suggested that an effort might be made through the public utility bodies in each of the provinces.

THE CHAIRMAN: That was it precisely.

MR. TROWBRIDGE: I might say that Manitoba and Saskatchewan met to try and arrive at some uniform regulations. They sent the minutes of that meeting to our department with certain suggestions, which we are trying to follow in the

proposed regulations.

THE CHAIRMAN: Have they arrived at anything like a common system?

MR. TROWBRIDGE: They met in Regina. Then they returned to their respective places of business and tried to figure it out. We have not heard anything since, excepting the memorandum they sent me with suggestions on various things.

THE CHAIRMAN: And you are trying to adopt those suggestions?

MR. TROWBRIDGE: Yes.

THE CHAIRMAN: That is, looking towards something like a common system throughout the prairie provinces?

MR. TROWBRIDGE: Yes. They are pretty nearly all the same at present except as to fees.

LORD ASHFIELD: Are the fees credited to a general fund?

MR. McPHERSON: They are credited to general revenue.

LORD ASHFIELD: They are not ear-marked for the purpose of maintaining or building roads?

HON. MR. McPHERSON: Not at all.

THE CHAIRMAN: Is authority given to the Public Utilities Commission to regulate passenger and freight charges?

HON. MR. McPHERSON: All applications of bus lines for setting out their schedules have to go before the Public Utilities Commission to be approved by them.

THE CHAIRMAN: That is a schedule of rates?

HON. MR. McPHERSON: Yes.

THE CHAIRMAN: Buses and trucks both?

HON. MR. McPHERSON: No.

THE CHAIRMAN: Not trucks?

HON. MR. McPHERSON: The truck regulations are not in

that same field at the present time, just the buses.

THE CHAIRMAN: Are there any rate regulations affecting trucks?

HON. MR. McPHERSON: No. At the present time there is just an extra license fee according to the capacity of the truck. That covers it, Mr. Trowbridge?

MR. TROWBRIDGE: Yes.

THE CHAIRMAN: I am speaking of freight rates.

HON. MR. McPHERSON: There is no regulation.

THE CHAIRMAN: In your proposed regulations that subject is not dealt with?

MR. TROWBRIDGE: No. The department left that blank. We had reference to it. I think the only province that has dealt with that is Manitoba.

THE CHAIRMAN: The regulation of freight rates?

MR. TROWBRIDGE: Yes.

THE CHAIRMAN: Does it not fall within the general authority of the Public Utilities Commission, or has it never been brought before them?

HON. MR. McPHERSON: It is within the authority of course of the province to do that same thing.

THE CHAIRMAN: I am not speaking of the province.

HON. MR. McPHERSON: These are just referred to the Public Utilities body as the province sees fit. In drafting this Act for the control of buses I arranged that the Public Utilities body would pass on the rates schedule.

THE CHAIRMAN: And that is in the statute?

HON. MR. McPHERSON: Authority is given in the statute for referring it to them.

THE CHAIRMAN: It is not in the general statute defining the powers of the Public Utilities Commission?

HON. MR. McPHERSON: No, that is very wide, and they are taking over many things that may be specifically referred to them.

THE CHAIRMAN: They have jurisdiction, but until there is a specific direction the jurisdiction does not come into operation?

HON. MR. McPHERSON: Yes. Of course, they have a field that they cover by the general statute, but from time to time we refer specific things to them.

SIR JOSEPH FLAVELLE: It was stated this morning that a trucking company operating between Calgary and Edmonton started with a tariff rate higher than the railway rate, but subsequently it was cut in two by reason of competition by carriers who did not have the same sort of liability to the government as that company had. Have you two types of public carriers?

MR. TROWBRIDGE: No. We have a class that goes over a scheduled route. Then there are private contract carriers, you might call them, that occasionally make one or two trips a week to Calgary.

SIR JOSEPH FLAVELLE: It was stated this morning that the competition was not between the organized truck corporation which Mr. Wilson represented and the railways, but was really between his corporation and other truck operators who cut the rate.

MR. TROWBRIDGE: We are putting them all on the same basis as to insurance and so on, but not as to rates.

SIR JOSEPH FLAVELLE: There is no control effective as yet as to rates?

MR. TROWBRIDGE: No. I understand some of the business people who complain will ask these truckers to give

them lower rates.

HON. MR. McPHERSON: There is control of passenger rates.

MR. TROWBRIDGE: That is the trouble; we get complaints from the Board of Trade, and yet we have business men connected with the Board of Trade asking for bids from the truckers to get their trucking done as cheaply as possible.

HON. MR. McPHERSON: I might add, Mr. Chairman, that the passenger rates are approximately the same as the rail rates.

THE CHAIRMAN: The only advantage the bus has, then, is convenience, going to the door, so to speak.

HON. MR. McPHERSON: And novelty.

THE SECRETARY: Are the rates merely maximum rates or minimum rates?

HON. MR. McPHERSON: They are specific rates that have to be adhered to.

THE SECRETARY: What would happen if one company offered to carry passengers at lower rates?

HON. MR. McPHERSON: He cannot do it; he is under direct franchise with the department and must charge the rates filed with and approved by the Public Utilities Commission.

THE CHAIRMAN: That is one of the terms of his license?

HON. MR. McPHERSON: That he charge the approved specific rate.

THE CHAIRMAN: Cancellation of his license would be a pretty severe penalty.

HON. MR. McPHERSON: Well, I later took authority under the amendment of the Act that a license might be cancelled

at any time. It is rather effective.

Did you want something further, Mr. Chairman, in regard to maintenance or construction costs?

THE CHAIRMAN: We should like to have any information that is available.

HON. MR. McPHERSON: Mr. Robertson, the Deputy Minister of Public Works, has some information.

MR. J. D. ROBERTSON (Deputy Minister of Public Works): The average cost of standard earth grade is about \$2,300 a mile.

LORD ASHFIELD: That does not include the cost of the land?

MR. ROBERTSON: Yes; but we have very little land to buy, because we follow the road allowances that were vested in the Crown originally.

THE CHAIRMAN: The road allowances are marked in the original survey, and it is very seldom that you have to purchase your right-of-way.

MR. ROBERTSON: Very seldom. The maximum cost of gravel surfacing runs about 1,300 cubic yards per mile at \$3 a yard with a long haul, or \$3,900. That is the outside cost. The minimum is \$1.50 a yard, or \$1,900 a mile, but there is very little of it.

HON. MR. McPHERSON: Probably about \$3,000 per mile --

MR. ROBERTSON: Would be the average. That is for gravel alone. The earth grade would run between \$5,000 and \$5,500 possibly, including everything.

HON. MR. McPHERSON: The completed road.

LORD ASHFIELD: Is that your best road?

HON. MR. McPHERSON: We have a little better than that at the present time.



Mr. Robertson

SIR JOSEPH FLAVELLE: It is a macadam road?

HON. MR. McPHERSON: Not macadam, but a bituminous treated gravel.

SIR JOSEPH FLAVELLE: It is what we call in Ontario a macadam road?

HON. MR. McPHERSON: It is not as high a standard as a macadam road. It is 1,300 yards of gravel placed on the earth grade.

THE CHAIRMAN: The gravel is placed on the dirt?

HON. MR. McPHERSON: Just on the earth grade.

COMMISSIONER LEMAN : And rolled?

HON. MR. McPHERSON: No, just traffic packed.

MR. ROBERTSON: We cover our main traffic system with gravel, roughly 1,500 miles.

HON. MR. McPHERSON: Including projects now under way with the Dominion government, at the present time we have about 2,000 miles of gravel.

SIR JOSEPH FLAVELLE: Then your bituminous surface would be what?

HON. MR. McPHERSON: Only about 80 miles of bituminous treated surface. We have been experimenting and did the first of it during the past season. It is residue from the Imperial Oil refinery and also from the Wainwright refineries.

SIR JOSEPH FLAVELLE: Have you any cement surfaced highways?

HON. MR. McPHERSON: No, we have no permanent pavement at all in the province outside of the city streets.

SIR JOSEPH FLAVELLE: Your highway construction is gravel?

HON. MR. McPHERSON: With the exception of this

bituminous treated top that we have a short mileage of.

MR. ROBERTSON: The maintenance charges of course depend entirely upon the volume of traffic. Maintenance only without replacement runs from \$160 to \$360 a mile per annum.

SIR JOSEPH FLAVELLE: Are you in trouble when the frost is coming out of the roads?

MR. ROBERTSON: No.

SIR JOSEPH FLAVELLE: You have not any wet bottoms?

MR. ROBERTSON: Very little trouble, just occasionally.

COMMISSIONER WEBSTER: Does that include scraping?

MR. ROBERTSON: That is scraping only. Replacement of the material is the big item.

COMMISSIONER WEBSTER: What do you estimate as the life of your gravel roads?

MR. ROBERTSON: Every two or three years we have to replace about 400 yards to the mile, depending entirely on the volume of traffic. Each replacement would cost \$1,200 on the long haul at \$3 a yard, or \$600 at \$1.50 a yard, depending on where you haul your material. Unfortunately the roads that carry the heaviest traffic are not close to the gravel. That means \$1,200 for replacement every two or three years.

HON. MR. McPHERSON: The maintenance of course of the dirt roads is very very slight as compared with those charges; that is the big mileage.

COMMISSIONER WEBSTER: You do not scrape your dirt roads each year as you do your gravel?

HON. MR. McPHERSON: Yes, but only after a storm; it is not a continual operation as it is with gravel.

MR. ROBERTSON: On the heavy travelled roads the

Mr. Robertson

gravel goes to pieces -- it has to be scraped at least three times a week, and possibly every day, on real heavy traffic.

THE CHAIRMAN: You mean dense traffic; you are not speaking of heavy vehicles particularly?

MR. ROBERTSON: No, I mean dense traffic, volume.

SIR JOSEPH FLAVELLE: I suppose a certain amount of gravel disappears by sinking into the dirt road.

MR. ROBERTSON: And dust.

SIR JOSEPH FLAVELLE: Is it water-washed gravel or crushed stone?

MR. ROBERTSON: It is crushed gravel.

COMMISSIONER LEMAN: You have no pit gravel?

MR. ROBERTSON: Yes. It is all crushed through a quarter inch screen.

SIR JOSEPH FLAVELLE: That is because it packs better, I suppose.

MR. ROBERTSON: It gives a better surface. That is all the information I have, Mr. Chairman.

THE CHAIRMAN: We are very much obliged to you, Mr. McPherson, and to your two deputy ministers. We have received some very interesting information.

HON. MR. McPHERSON: I did not know just what you wanted, and I am sorry we have not the information in better shape.

At 3.45 p.m. the Commission adjourned.



ROYAL COMMISSION ON RAILWAYS AND TRANSPORTATION

The Royal Commission appointed to inquire into the whole problem of transportation in Canada, particularly in relation to railways, shipping and communication facilities therein, having regard to present conditions and the probable future developments of the country, met at the Court House, Edmonton, Alberta, on Tuesday, December 15, 1931.

PRESENT:

RIGHT HON. LYMAN POORE DUFF, P.C., Chairman

RIGHT HON. LORD ASHFIELD

SIR JOSEPH W. FLAVELLE, Bart.,

BEAUDRY LEMAN, Esq.,

LEONOR FRESNEL LOREE, Esq.,) Commissioners

WALTER CHARLES MURRAY, Esq.,

JOHN CLARENCE WEBSTER, Esq.,)

Arthur Moxon, Esq., K.C., Secretary

George W. Yates, Esq., Assistant Secretary

PUBLIC MEETING

Representations were made by:

Mr. Carl E. Berg, for the Edmonton Trades and
Labour Council and the Alberta
Federation of Labour

Mr. J. Gordon Wilson (Wilson Transit and Distributing Company, Limited), for the rural motor distributors

Mr. W. S. Campbell, Vice President, Gaults Limited,
Edmonton.

Mr. H. H. Parlee, for the Industries Committee,
Edmonton.

Court House, Edmonton,

Tuesday, December 15, 1931

MORNING SESSION

The Commission met at 11.30 a.m.

THE CHAIRMAN: Mr. Parlee, we shall be glad to hear from you.

MR. H. H. PARLEE, K.C.: Mr. Chairman, I represent here the Industries Committee of the City of Edmonton, which in turn represents the Edmonton City Council, the Edmonton Chamber of Commerce, the Edmonton Industrial Association and the Canadian Manufacturers' Association. We desire to present to the Commission two resolutions which we think may be of importance for your consideration. The first deals with the practice that has prevailed in the Edmonton territory and in the northern lines of having the re-conditioning and re-~~service~~ of cars and engines done in Winnipeg, some eight hundred miles distant, rather than in the city of Edmonton. We apprehend that this work might be done much more economically in the city of Edmonton than to take it a distance of eight hundred miles. In addition to that we desire to point out that when the Canadian Pacific Railway operated the Northern Alberta lines, we are informed and believe that it was the custom that all cars and engines requiring repairs or re-conditioning were taken to the shops at Calgary. This, we believe, was not only uneconomical but a vicious and selfish practice. We also believe that the northern lines, now operated jointly by the Canadian National and the Canadian Pacific, are continuing that practice and that a large portion of that re-

pair work is done through Edmonton to Calgary. The practice of the Canadian National in taking to Winnipeg all their repair work, certainly their important repair work, originating not only in the Edmonton territory but considerably west thereof is not only uneconomical but is in disregard of an agreement which the Grand Trunk Pacific entered into with the city of Edmonton in 1907. That agreement will be referred to in the resolution; you will find it in the statutes. Protests have been made to the Canadian National Railway respecting this disregard of the rights of the city of Edmonton under the agreement to which I have referred, but so far without avail.

Two years ago I had the privilege, with members of a delegation from the city of Edmonton, to meet Sir Henry Thornton and Mr. Hungerford in Ottawa and lodge our protest at the disregard by the Canadian National Railway of the Grand Trunk Pacific agreement, and Sir Henry Thornton and Mr. Hungerford both stated that it was more economical to take the equipment to Winnipeg for repair and re-conditioning. With all due respect to Sir Henry Thornton and Mr. Hungerford, it does not appear credible to us that it can be economical to take repair work from as far west as Jasper through the city of Edmonton a further distance of eight hundred miles and have that done at Winnipeg.

I wish to read to you a resolution passed by the Industries Committee of Edmonton as a joint committee representing the organizations I mentioned at the outset. It is as follows:

Whereas the whole railway problem of Canada is now being reviewed and will be considered in the light of



existing conditions and submissions made to this Commission;

And whereas the city of Edmonton contributed substantially to the construction of the Canadian Northern railway in the city of Edmonton, and the railway facilities employed in this city in connection therewith, in accordance with an agreement between the railway and the city, bearing date the 19th day of August, 1903;

And whereas the said city has substantially contributed to the Grand Trunk Pacific Railway Company, in accordance with an agreement made between the city and the railway company, dated the 6th day of March, 1906, and forming a part of schedule "B" of chapter 36 of the statutes of Alberta, 1907, under which agreement the said last mentioned railway undertook certain obligations, more particularly hereinafter referred to;

And whereas under the said agreement the city paid to the said Grand Trunk Railway Company the sum of one hundred thousand (\$100,000) dollars; acquired for the railway a right of way through the city; a monopoly in a certain portion of the city of constructing and operating spur tracks; certain exemptions from taxation and other advantages and benefits; and in consideration thereof the railway undertook with the city that it would,-

"erect, establish and permanently maintain shops, terminals, station, freight sheds and buildings, so that within the location aforesaid the company shall have its principal shops on the main line of the company's system between the city of Winnipeg, Manitoba, or such other point as may be chosen for the location of the main shops of the company on the east and the Pacific coast on the west."

And whereas the city has, in every detail, performed its obligations to the Pacific Company under the said agreement, but considers that the Pacific Company has failed and neglected in spirit if not in law to perform its obligations thereunder;

And whereas since the execution of the said agreement the said railways, now amalgamated in the Canadian National Railway System, have consistently and continually, notwithstanding many and varied protests by the city, had engines, cars and other railway equipment taken from the Edmonton territory and from points west of the city to their shops at Winnipeg, a distance of upwards of eight hundred miles, and there repaired and reconditioned, which, in the opinion of the city, has not only been uneconomical but in disregard of the spirit if not the legal result of the foregoing agreement;

And whereas this committee is credibly informed that machines installed in the railway shops at Edmonton have been removed therefrom and installed in other shops of the company;

And whereas this committee is credibly informed that, since the execution of the foregoing agreement, the shops of the railway company at Winnipeg have been substantially increased and large capital expenditures made thereon;

And whereas this committee is further credibly informed and believes that repair work and reconditioning originating from the north lines, now jointly operated by the two railway companies, has been taken to Calgary and Winnipeg for re-servicing, which in the opinion of the city is not only uneconomical but unfair to this

city;

And whereas in the opinion of this committee the portion of this province in the vicinity of Edmonton, and also that portion extending northward therefrom will in the near future be largely developed, and will require the extension of railway facilities for the marketing of grain and other agricultural products, and to take care of what now appears to be a substantial mineral production.

This committee therefore claims that the city of Edmonton has not been fairly dealt with by the railways in their continued practice in taking railway equipment from the northern lines and from the Edmonton territory elsewhere for repairing, re-servicing and re-conditioning, and believes that the work can be more economically performed in this city, and further claims that such practice is in disregard of the city's contract with the Pacific Company;

Be it therefore resolved that this committee requests the Commission to examine the said agreement and to make inquiries, independent of either railway company, if such repair work, re-conditioning and re-servicing could not be more economically and more quickly done in this city, and in addition thereto to find and report that in fairness to the city of Edmonton and in pursuance of the spirit of the foregoing agreement, all repair work originating in the northern lines and within the territory adjacent to the city of Edmonton and westward, should be done in this city.

Be it further resolved that this committee requests the Commission to take under advisement the development,

which will probably take place in the territory in the vicinity of this city and in the territory north thereof, and to consider the position of this city in respect of future construction of transportation facilities in the northern part of this province.

The resolution is dated at Edmonton the 14th day of December, 1931, and is signed by the Secretary of the Industries Committee.

That, Mr. Chairman, is the submission in that connection.

I will now pass on to the consideration which these various bodies have given to the competition which has arisen by virtue of the motor truck transport companies. In the opinion of these bodies, motor transport --

THE CHAIRMAN: You are now speaking for all the bodies you have mentioned?

MR. PARLEE: Yes sir, for all the bodies. In our opinion, motor transport is a modern development that is here to stay; it does answer a purpose and tends to satisfy modern conditions. Having said that, however, we thoroughly appreciate that the people of Canada have at least two billions of dollars invested in the Canadian National Railway System, and are also largely interested, and perhaps to an equal extent, in the Canadian Pacific Railway System. We recognize that while motor transport may at first sight be cheaper, nevertheless if the two great railway systems were seriously impaired thereby and the people of Canada were called upon to bear directly the obligations of those two railway systems, what now appears to be an economical means of transport might in the end prove to be exceedingly expensive. We are not unmindful of that con-

dition. We recognize that the railways are the backbone of any country, particularly of Canada. We recognize that there are certain commodities that the motor transport companies cannot handle, and that over long hauls motor transport cannot fulfil the purpose. We recognize that the railway companies are called upon for regularity of service at all times of the year and under all conditions, which cannot be fulfilled by the motor transport companies. So that, as I have indicated, while at first sight the motor car transport may appear to be cheaper, we are rather led to believe it is the most expensive transportation that there is. having regard to the necessity for the maintenance of highways and the fact that motor trucks use the highways with little or no charge. Nevertheless it is our opinion from our general observation that any menace to the railway companies which has arisen from this source is due to the railways themselves: that for the last twenty-five or thirty years the railways have made little or no attempt to modernize their practice in order to meet the modern conditions which to a very large extent are satisfied by motor transport service. So that while we recognize the three main considerations I have laid down, and that the railway companies ought to be fairly protected, we do feel that this condition would never have arisen, or at least would not have become the menace it is to-day, had the railway companies taken the proper steps to meet it.

With these preliminary remarks I will submit to you, sir, a resolution of the Transportation Committee of the Chamber of Commerce of the city of Edmonton, which is supported by these various bodies. The resolution reads:



Whereas it is generally recognized that motor truck transportation is a serious competitor of the railways in Canada, with the result that the railroads are being greatly affected;

And whereas such motor truck transportation is a modern development and will continue to exist, and likely to increase rather than diminish, and does in fact meet modern conditions;

And whereas, however, it is recognized that the people of Canada have a huge investment in one railway system and of necessity must have great interest in the other, both of which would be substantially affected if motor transportation is permitted to continue unregulated and without proper restrictions and supervision;

And whereas, it must be recognized that permanent, continued and regular transportation facilities are in the interest of all, and that there are many classes of commodities, which, from their very nature, cannot possibly be handled except by railways;

And whereas it is generally believed that motor truck transportation, as presently permitted, is probably an expensive transportation having particular regard to the use of highways by the motor trucks, who do not contribute a fair share to the upkeep of such highways;

And whereas in the opinion of this committee the railway companies have not sufficiently modernized themselves in giving service to the public, particularly with regard to short hauls and local freight, and that the railway management and executives have neglected to take proper steps to give adequate service to the public in

such transportation, and are therefore to a considerable degree responsible for the existing conditions and the present ills of the railways;

And whereas it is further in the opinion of this committee that the railway companies should be required to reform their present methods and to modernize their facilities, and give more prompt and better service to the public;

And whereas it is the opinion of this committee that if the railway companies had been alive to the situation and had made reasonable attempts to modernize their systems, and to give such prompt and adequate service to the public, that the competition of the motor truck transportation as it now exists would not be as serious as it is at present; and it is further the opinion of this committee that the railways ought to be and would be able to meet such competition if the motor truck transportation were regulated, supervised and required to contribute its fair share of the use of the public highways.

Be it therefore resolved that in the event of the railways inaugurating and putting into force an adequate service to meet modern demands, to the end that more prompt and effectual methods shall be inaugurated to handle freight and express matter, the motor truck transportation should thereupon be supervised and their tonnage, speed, wages paid to employees, tariffs, charges, and hours of work be regulated, and that they be required to give regularity of service, and charge fair and proper rates for services rendered, such rates being fixed having regard to the rates that may be

charged by the railway companies; and in addition that such motor truck transportation shall pay a fair and proper charge for the use of the public highways and other public facilities used by them, to the end that the railway companies shall not be subjected to unfair competition, having particular regard to the services rendered by the railway companies furnishing transportation facilities throughout the whole of Canada.

Having read that resolution, sir, I am not unmindful of the fact that we not only enter upon the provincial field but that we cover the whole gamut of constitutional law and practice in Canada, and that difficulties may arise in working out such a recommendation. But we do believe that a commission or commissions representing Canada and the various provinces might carry out in part at least the effect of the resolutions we are submitting to your body.

THE CHAIRMAN: You are not actually making any suggestions as to whence the regulation should emanate.

MR. PARLEE: I presume that the regulation of motor trucks in the province must be by a commission in the province. But having in mind the three considerations I submitted to your body at the commencement, I am sure the provinces of Canada could cooperate with the Dominion to meet what is now a real menace to the backbone of the country, notwithstanding the fact that in our view the railway companies themselves are very largely to blame.

I wish briefly to touch upon three other things before I conclude. For a long time the city of Edmonton pressed upon the two railway companies the desirability of



agreeing upon a union station and union facilities for handling freight; we believe that it would be economical and would give service to the public. The railways, perhaps less now than they did some years ago, in our submission have not taken into consideration the good opinion of the people but are governed by rigid rules that they laid down some thirty or forty years ago. An opportunity arose only two or three years ago, when the Canadian National railway erected a station in this city, for the two great systems to agree upon a union station and combined railway freight facilities, but they did not do it. We now suggest to this Commission that they recommend to that effect, that not only in Edmonton, but wherever possible union stations be adopted.

Then I am asked, Mr. Chairman, to address myself to the question of conveying Alberta coal to Ontario, and this I will do very briefly. Mr. McBain, for the Alberta Branch of the Canadian Coal Committee, wrote to Sir Joseph Flavelle under date of December 11, 1931, and Sir Joseph no doubt has that letter.

SIR JOSEPH FLAVELLE: It has been handed to the Secretary.

MR. FARLEE: I would simply like to point out that we have coal on the extreme east and we have coal in Alberta and on the extreme west. Now, one of the members of this Commission may not approve of the remark I am about to make, but if we can produce our own coal in Canada without bringing it from the United States, it might be to our advantage. It does seem to us that the extreme east and the extreme west --

THE CHAIRMAN: I think, Mr. Farlee, you may



Mr. Parlee
Mr. Berg

assume that the American member of the Commission is just as anxious to consider these things from the Canadian point of view as any of the rest of us.

MR. PARLEE: I am quite sure of that, sir. I do submit, inasmuch as Ontario consumes 4,500,000 tons of coal a year, that that might be taken as produced in Canada. Not only will this keep the money in our own country, but at the same time it will afford freight for the railways. The matter has been clearly set out in the letter addressed by Mr. McBain to Sir Joseph Flavelle, and I will therefore not elaborate further.

That is all, sir.

MR. CARL E. BERG (Edmonton Trades and Labour Council; Alberta Federation of Labour): Mr. Chairman and Commissioners, in presenting the brief for the Edmonton Trades and Labour Council, of which I am president, I do so on behalf of over 4,500 members of our trade union movement, who have families in this city and a great many of whom are railway workers. Our executive have prepared the following brief, which I am requested to present to you:

The Edmonton Trades and Labour Council is interested in two distinct phases of the railway industry as it affects the city of Edmonton.

First, the situation which has arisen through the lack of carrying out of an agreement existing between the city of Edmonton and the Grand Trunk Pacific Railway, which deals specifically with the providing and maintaining of proper railway shops in this city to take care of repairs to railway equipment in the Edmonton district.



Secondly, is the unequal competition which has arisen between the railroads and the truck and bus passenger traffic.

With respect to the first question, no doubt the matter of economy may be raised, in view of the fact that there are two shops already established in the city of Winnipeg to take care of repair work on the Canadian National Railway in western Canada. We might, however, suggest that such repairs necessitates 800 miles haulage both ways and therefore considerable expense is incurred by this extra haulage. Might we point out that in the city of Calgary the Canadian Pacific Railway maintains shops which do a similar class of work to that which is transported from Edmonton to Winnipeg by the Canadian National Railways. It does not seem that this transference of work from Edmonton to Winnipeg is due to inefficiency upon the part of the staff and workmen who are engaged in the C.N.R. shops here. If such an impression were abroad, it might be pointed out that the Edmonton car shops occupy the first position with respect to efficiency over the whole of the Canadian National system. May we further point out that with respect to efficiency, that the Mechanical Department in this city holds second place over the whole of the national system.

The Edmonton shops are capable of making repairs from Nos. 2 to 6. However, we find that some of the No. 6 repairs are being removed to the city of Winnipeg. You will readily understand that neither labour nor the business men of this city can stand idly by and see what

few repairs we have had in the past gradually diminishing and being transferred to Winnipeg. If such a practice continues, we are of the opinion that eventually these shops will have to close down, thus incurring a tremendous loss to both the working men who have investments here and to the various business men who have business investments in this community and who are dependent more or less on the payrolls that exist in our community. We therefore request that you give very careful consideration to the agreement existing between the city of Edmonton and the Grand Trunk Pacific Railway. The city of Edmonton has carried out its part of the agreement up to the present in both spirit and letter.

With respect to the second phase of this question, that of motor transportation, a memorandum with respect to this matter is being submitted by the Alberta Federation of Labour which covers the main features endorsed by labour. However, we would like to add a couple of paragraphs in this respect.

We would suggest that with respect to the question of light transportation that has been developed by the use of trucks and buses, that the railway companies must assume considerable responsibility for not endeavouring to meet this class of competition. The railway companies are primarily organized for public service, hence when the public demands speedy and comfortable transportation, it is the special duty of the railways to supply this demand, and any company that fails in this respect must ultimately cease to exist. The present public demand seems to be in favour of the



unit or bus service, and we would therefore suggest that very careful consideration be given by this Commission to the question of having the railways provide the methods whereby this class of service can be properly taken care of.

It is also our opinion that all those taking part in transportation for profit should be brought under a body similar in character to the Dominion Railway Commission for the purpose of public safety. Such a commission would provide for regulating the hours of labour, providing necessary traffic schedules and regulating running schedules so that those who are engaged in the work of handling passenger buses and freight trucks, will be properly controlled with due regard to public safety.

The matter of wages and other conditions have been dealt with by the Alberta Federation of Labour and we add our endorsement to their memorandum.

That is signed by myself as President, and also by the Secretary.

I have also a memorandum prepared by the Alberta Federation of Labour, which should have been presented by Mr. White, the President, and Mr. Roper, the Secretary, but Mr. White is at present sitting on the government compensation committee and Mr. Roper is sitting on the liquor commission which is in session at the present time. I am therefore submitting this brief also for the Alberta Federation of Labour:

On behalf of the membership of the International Trade Union Movement of the province of Alberta, the Alberta Federation of Labour, the central body of organized labour in the province, desires to present

to the Commission its views with respect to certain aspects of the railway situation.

In common with organized labour in other sections of the Dominion, and in line with the policy of the Trades and Labour Congress of Canada, the Federation would urge the Commission to make some recommendation regarding the regulation of motor transportation on highways with a view to eliminating unfair competition with the railways. Organized labour's chief concern in this matter is the protection of proper working conditions, wages, hours of labour and safety regulations. Motor transportation companies have the privilege of using the public highways, built and maintained at public expense. The very least that should be required of them is that they should be compelled to observe such standards of working conditions, hours of labour and safety regulations as would tend to eliminate unfair competition with the railways and railway workers. It is no part of the function of organized Labour to interfere with progress in transportation facilities, but we do insist that Canadian living standards shall not be broken down.

With respect to the conduct of the business of railway transportation in the Dominion of Canada, the trade union movement in Alberta joins with organized labour throughout the country in a demand to the government of Canada that there shall be no interference with the principle of public ownership. The Trades and Labour Congress of Canada, expressing the viewpoint of the organized workers of the Dominion, is definitely on record in favour of "public ownership and control of public utili-

ties so as to prevent stock watering and other forms of over-capitalization or profiteering." At the 1931 convention of the Congress, held in the city of Vancouver in September, particular attention was drawn by resolution to the affairs of the Canadian National Railways and the convention expressed its resentment at what appeared to be a determined attempt in some quarters to "undermine public opinion in respect to national ownership and create difficulties for the management of the road by political interference."

The Commission will no doubt discover duplications of service by Canadian railways, and it is possible that recommendations will be made by you with respect to such matters. Organized labour would urge that whatever may be done to adjust railway facilities more economically to serve the needs of the people of Canada, should be done with the object in view of increasing rather than lessening the measure of public ownership and control now existing. Organized labour will strongly oppose any measure that has for its effect the elimination of transportation services given by the national road. If such services are duplicated by private corporations, and it is thought desirable to effect some kind of consolidation, organized labour strongly contends that such consolidation should be made under the management and control of the publicly owned road.

Organized labour in Alberta and throughout the Dominion is not unmindful of the serious financial position of the railways, but we do contend that over-capitalization is an important factor in the difficulties which have become so apparent in this period of

depression. The Canadian National Railway, particularly, is carrying a burden of capital obligations too great to be borne, and which was largely incurred when the roads which now comprise the government system were privately owned and operated. We trust, therefore, that the Commission will make some recommendations that will result in eliminating much of the unjust capital burden carried by the publicly owned transportation system. In any event the trade union movement hopes that the public of Canada will be given an opportunity to know that financial difficulties being experienced by the national railways do not arise in any inherent failure of the principle or practice of public ownership.

The trade union movement is, of course, concerned about the welfare of those who find their employment as railway workers. We trust that in all its findings the Commission will take the interests of the railway employees of Canada into consideration, and that their interests shall be fully safeguarded in any recommendations made to the Government.

That is signed by the President and Secretary of the federation.

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THE CHAIRMAN: Thank you, Mr. Berg.

Mr. Wilson, you desire to say something on behalf of the motor bus and other transportation companies. We shall be glad to hear you.

MR. J. GORDON WILSON (Wilson Transit & Distributing Company Limited ; representing Rural Motor Distributors): Mr. Chairman, I represent those motor freight trucks operating out of a central terminal in the City of Edmonton and servicing about fifty towns and cities in northern and central Alberta. They have connections from Athabasca, about a hundred miles north of Edmonton, to as far south as Lethbridge in the southern part of this province.

I have listened to the previous speakers, and I may say at the outset that I believe their recommendations have a good deal in common with our own. I have, though, a few matters that I should like to bring to the attention of your Commission.

We believe with the previous speakers that the motor truck business is here and established to stay. This being so, the other transportation systems must recognize that fact. From our own standpoint naturally we would not be in the business if we did not think that was the case.

It is our opinion that there are special functions and spheres into which the motor truck can be placed and properly service the public. It has its limitations, and we recognize these. They have been pointed out by my friend, Mr. Parlee, the previous speaker. He stated the case quite clearly.

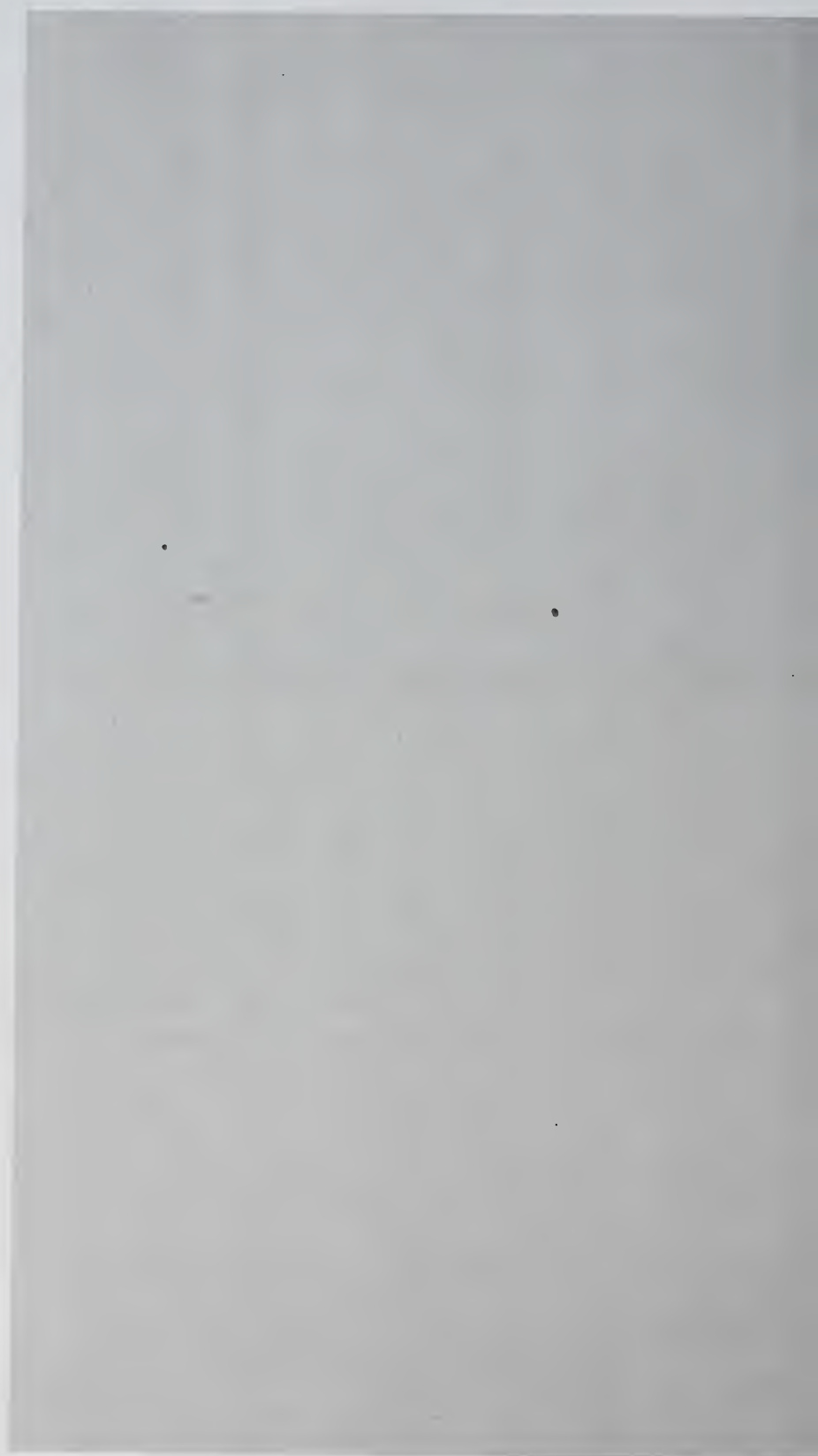
We believe that one of the places where the motor truck can be economically operated is in handling l. c. l. freight out of cities or centres similar to this city, but within restricted areas. I would not say exactly what that

area should be, but it is probable that that will be greatly extended in the future as road and other conditions warrant.

The services that are being rendered at the present time by motor trucks in Alberta -- where naturally we are most familiar with them -- are in some cases reliable, in other cases not reliable. Those that are reliable are up against competition from the trucks themselves, due to the fact that the motor truck business is not regulated. The provincial government has made some partial attempts to regulate the business, but without very great success, and at present it is practically speaking a wide open business.

Just to clarify that, we have in Alberta freight trucks operated as public carriers under provincial license A. These trucks pay for the license on the basis of wheel-base and tonnage capacity, and accept the license on the understanding that they will operate over definite routes. But immediately on securing this license to operate over any specific route, the provincial government allows them to go on any route within the province, with the result that we have continuous over-lapping and competition. Then again, the provincial regulations do not insist on any truck confining itself to purely public carrier business. Any truck in this province, outside of a C license truck, can carry almost identically the same class of freight.

For those reasons today probably I am not surprising the officials of the railways when I say that we do not regard the railways as our competitors on most lines operating out of this city. The same is true out of the City of Calgary. The railways cease to be our competitors with truck competition operating under lower class licenses than the common carrier license cut rates far below the railroad



l. c. l. rates. While it is true that the railways are competitors between Calgary and Edmonton, they are only partially so, for the same reason, that there being no regulation as to rates, competitive business forces us in many cases to cut our rates below the l. c. l. rates of the railways.

While a great deal can be said against the cutting of rates and the competition that the motor trucks give to the railways, on the other hand the railways, particularly between Calgary and Edmonton, have been forced to give back to the public a much cheaper rate on the goods they are hauling - One very important reason why the trucks are securing the amount of trade they do today on those hauls. The railways have cut their express rates between Calgary and Edmonton from \$2.15 to about 60 cents on many classes of freight. The result is naturally the trucks through that reduction have secured the moral support of a good many shippers in both cities.

We hear a great deal about trucks using the highways without contributing a proper amount towards their upkeep. I think the public generally have a very improper idea of what we actually contribute to the taxation of this province. I have in mind that on more than one truck that we operate ourselves we contribute about \$850 direct to provincial taxation per year. In view of the unrestricted and wide-open competition that we are obliged to face, we regard that as a pretty stiff tax at the present time. Whether it could be so regarded if the business was regulated would be another question. These taxes are in addition to the retirements of the provincial government that we provide ample cargo insurance covering the loads.



I might add that in the matter of cargo insurance the only trucks that are required to carry this in the province are the class A trucks which, as I have already said, are subject to the competition of practically every other class of truck in the public carrier business. What appears to the provincial government to place them in the class as public carriers is the fact that they agree to operate over a specified route, and having taken out that license they are required to carry this protection for the public who use their services.

As to employment, I think that most men realize that the trucks for the amount of freight they haul provide proportionately a great deal more employment than the railways do. In our own business we find that it requires approximately .625 men to move one ton of freight between Calgary and Edmonton. I think the railways would be a very small fraction of that amount of labour employed.

As to wages, I would say that our men are adequately paid over most of our lines, and naturally if the business was to be regulated we feel that we have nothing to lose. In fact we would welcome any inquiry into the wages we pay and the receipts that we have from our business. I might add that there are very few trucking companies operating in the province of Alberta who are able to do so at a profit in spite of the services that they render, and it has been necessary in recent months to discontinue a great many of the services that were previously rendered on a regular basis simply because of the ruinous competition that has been brought to bear on those who were attempting to give regular services by the trucks to which I have referred.

THE CHAIRMAN: You say at present the services are

unprofitable to the truck owner, and I think you said in opening that you considered truck transportation had come to stay.

MRL WILSON: Yes.

THE CHAIRMAN: Perhaps you would explain how you reconcile those two statements.

MR. WILSON: I reconcile them in this way, sir. I believe that the business must finally come to the point where it will be regulated, and it is on that basis alone that I stay in it myself and encourage those who may be affiliated with me to do the same. At the present time under this competition by trucks that are not regulated, inevitably the service must be operated in most instances at a loss. I think that is the experience of most motor trucking companies in Alberta.

In addition to the taxation that we pay to the provincial government, we have many additional taxes brought to bear on us by the cities and towns throughout Alberta.

I think that is all I have to say, sir, except again to point out that I believe with proper regulation of the motor truck business motor trucks can and will have very much in common with the railways. Speaking for those whom I represent, I can say we would welcome the time when the railways will again become our competitors instead of the motor trucks that are not regulated at the present time.

COMMISSIONER LOREE: When the English railways were built they took measurable steps as common carriers through well organized companies to do a waggon trucking business throughout the country. They divided their rates into two groups -- station to station rates with platform and delivery service and collection and delivery rates to store door. Last year after an experience

of approximately a hundred years four companies lost \$6,000,000 on their collection and delivery business, and the year before \$6,200,000. I suppose that is the reason why they hesitate to venture into the trucking business.

MR. WILSON: Yes.

COMMISSIONER LOREE: It has not seemed to them to afford any promise of profit.

MR. WILSON: Yes. I may probably go a little too far if I present some of my experience on starting into the motor trucking business, but I am going to do so. We started in the motor trucking business and published a tariff. I may add that we have since discontinued publishing tariffs because our printing bill would be rather high; the tariffs had to be changed so often. But we attempted to operate our business with rates from five cents to ten cents per hundred pounds over the railway rates, and for about a year we were able to secure those rates from our customers by giving them an express service a little better than the railways had previously been giving them. We had very little complaint from our customers; they were well satisfied with the service, for we were able to maintain a service that was worth while and they were sure of getting their goods every morning up to a distance of about eighty-five miles from the city of Edmonton. But lately we have been forced to cut those rates in half in some cases to compete with other truck companies. At the same time we find that our customers are not nearly so well satisfied as they were previously at the higher rates. The reason back of that apparently is that they believe if we can operate at all on a lower rate than we previously charged they will try to find just where our limit is, and they continually bring pressure to bear to

force these rates down. Just what the final tariff will be I am not prepared to say. But that has been our experience in the matter of rates, sir; and that brings us back to the point where the railways on most of these lines have long since ceased to be our competitors.

LORD ASHFIELD: You have been frank in your statement. Might I ask you this question: When you first established this road transport and published a rate higher than that charged by the railways, I believe you had very little competition?

MR. WILSON: No, sir, very little competition.

LORD ASHFIELD: Making a proper allowance for the depreciation of your equipment, did that service pay?

MR. WILSON: Yes, sir.

LORD ASHFIELD: And it is only because the competition has become what you describe as wide-open, leaving the roads free to anybody to operate trucks and charge whatever rates he likes, that the financial position of these truck companies has become disastrous, if I may use that word?

MR. WILSON: Yes, sir, entirely.

THE CHAIRMAN: Thank you, Mr. Wilson.

THE SECRETARY: There are certain documents to be filed, Mr. Chairman:

A telegram from Mr. D. W. Patterson, transmitting a resolution by the Grande Prairie Board of Trade and Chamber of Commerce. It was received by the Chairman this morning.

Also the letter already mentioned from Mr. F.W. McEain, President of Lakeside Coals, Limited, bringing to the attention of Sir Joseph Flavelle and other members of

the Commission certain matters in connection with the transportation of coal to Ontario.

A letter from Mr. J. W. Millar, of the Western Construction and Lumber Company, Limited, Edmonton, making certain proposals to the Chairman and the Commissioners for the reorganization of the capital of the Canadian National Railways.

Certain other letters were filed with the Commissioners at Edmonton on the journey to Victoria by Mr. J. F. McMillan, of the Spruce Manufacturers Association, and other correspondence he has had with the railway companies, these have again been filed with the Commission this morning.

THE CHAIRMAN: Does any other gentleman wish to make representations to the Commission?

MR. W. S. CAMPBELL (Vice President, Gaults Limited, Edmonton): Is it the privilege, Mr. Chairman, of an individual to submit suggestions to this Board through the Secretary at Ottawa within the next few weeks?

THE CHAIRMAN: Yes, Mr. Campbell, we shall be glad to receive your memorandum.

MR. CAMPBELL: I shall be very glad to do so within the next few weeks.

THE CHAIRMAN: There being nothing further, we will bring the sittings to an end.

(At 12.30 p. m. the Commission adjourned).





